

F. POLYANSKY

# An Economic History

The Age of  
Imperialism

(1870-1917)



PROGRESS PUBLISHERS

MOSCOW

Translated from the Russian by *Jane Sayer*  
Designed by *Yuri Samsonov*

Полянский Ф. Я.  
ЭКОНОМИЧЕСКАЯ ИСТОРИЯ ЗАРУБЕЖНЫХ СТРАН  
Период империализма (1870-1917)

На английском языке

© Издательство МГУ, 1973

English translation © Progress Publishers 1985

Printed in the Union of Soviet Socialist Republics

П 0604010000-527 45-85  
014(10)-85

## Contents

	<i>Page</i>
Chapter 1	
A General Description of the Age of Imperialism	5
Chapter 2	
Monopoly Dictatorship in the USA	26
Chapter 3	
The Economic and Colonial Expansion of the USA. Wage Slavery	72
Chapter 4	
Monopoly Capitalism and German Expansionism	110
Chapter 5	
British Colonialism. Monopolies and Bourgeois Parasitism in Britain	156
Chapter 6	
The Economic Development of France. Usury Imperialism	186
Chapter 7	
The Economic Development and Colonial Expansion of Japan	226
Chapter 8	
The Economic Development of China. Aggressive Colonialism	265
Chapter 9	
The Economy of India Under the Colonial Rule	304



## Chapter 1

### A GENERAL DESCRIPTION OF THE AGE OF IMPERIALISM

The Franco-Prussian war and the Paris Commune ushered in a new period in the history of capitalism. The events that took place at the time of the Paris Commune rounded off the preceding period, which Lenin called the time of "progressive capitalism", meaning 1789 to 1871. In time it became clear just how far the contradictions of capitalism had developed and the conditions for a socialist revolution had matured, and what a formidable force the working class had become. Only with the help of Prussian intervention was the French bourgeoisie able to crush the Paris Commune which was the first ever dictatorship of the proletariat and clearly demonstrated its capabilities. The country with the most radical bourgeois revolution was the first to see a proletarian one. A state of a totally new type emerged, one that rejected capitalism by its essence and the very fact of its existence.

The proletarian revolution in France was, it is true, defeated and the Communards overthrown, but the bourgeoisie could not wipe their feats from the slate of world history. The revolution led by Spartacus was not victorious either, yet it engendered a decisive turn in the history of the Ancient World. The same might be said about the Paris Commune: even in defeat, it constituted the start of a new period in modern history.

The century of "progressive capitalism" was over and that of the system's decay and collapse began. The time of the rise of the bourgeoisie was past; it became a parasitic stratum, content to clip coupons, and losing more and more of its economic functions. From the time of the Paris Commune, capitalism gradually entered its monopoly stage and, from the late 19th century, became reactionary, acting as a brake on the development of the productive forces, dooming entire nations to the yoke of colonialism and economic backwardness, engendering even more destructive crises

and world wars, and exacerbating the impoverishment of the working class. Thus, the possibility of a victorious socialist revolution became more and more realistic. In 1917 the inevitable occurred: the Great October Socialist Revolution initiated the triumphant advance of socialism, thereby ushering in the age of socialism. Socialism found a home and the collapse of capitalism set in.

Lenin revealed the specifics of the period from 1871 to 1917 in his theory of imperialism. He showed that, in the last three decades of the 19th century, monopolies formed and that, from the end of the century, they began to dominate. Capitalism entered the phase of imperialism, characterised primarily by the domination of monopolies. Classical capitalism was replaced by monopoly capitalism; it still holds sway in the capitalist countries, which have entered the phase of state-monopoly capitalism.

The basis for the formation of monopolies was provided by the concentration of production, and the specifics of the preparatory period in the history of monopoly capitalism noted by Engels, took shape even before the end of last century. This was connected with the continuing concentration of capital and production, joint-stock companies playing an unusually active role in this. There was a steady increase in the importance of stock exchanges, which attracted and redistributed huge capitals. On the exchange, shares were bought and sold and even small capitals mobilised for setting up huge plants and mighty companies.

In the supplement to the third volume of *Capital*, Engels wrote that, in 1865, the stock exchange was still "a secondary element in the capitalist system. Government bonds represented the bulk of exchange securities, and even their sum-total was still relatively small".<sup>1</sup> Joint-stock banks still played a comparatively insignificant role. Even railway shares were not widely distributed, while production undertakings were set up on a joint-stock basis primarily in the countries that were less well-off for capital (Germany, Austria, America, and so on).

From the 1866 crisis onwards, however, the accumulation of capital took on a tremendous spurt, more and more enterprises joined hands, and the number of rentiers increased. Legislation appeared that permitted limited or reduced

liability companies to be set up. In Germany, in 1890, these constituted 40 per cent of all companies (in terms of share values). Thus began the "gradual conversion of industry into stock companies. One branch after another suffers this fate".<sup>2</sup> First came mining, followed by the chemical industry and, on the Continent, even the textile industry. Finally trusts emerged, "which create gigantic enterprises under common management... The ordinary, individual firm is more and more only a preliminary stage to bring the business to the point where it is big enough to be 'founded'".<sup>3</sup> Even firms engaged in commerce became joint-stock companies. New banks were set up on a joint-stock basis. The export of capital was assisted by share issues.

At the same time, Engels pointed out in 1894 that in many countries, especially Germany, the banks were becoming a source of credit on mortgage and "with their shares the actual higher ownership of landed property is transferred to the stock exchange".<sup>4</sup> He predicted that the time would come when the land would belong to the stock exchange in Britain and France.

The joint-stock companies embodied a new form of capitalism, which opened up even greater scope for the development of the productive forces. It was released from the restrictions imposed by the capitals of individual factory-owners, the bounds of bourgeois property were extended and an association of many capitals became possible, as did the creation of bigger plants, in which huge machines and tens of thousands of workers could be employed. The ideas put forward by reformists and revisionists (since the time of E. Bernstein, P. Struve and others) concerning the democratisation of capital, allegedly engendered by the transition to the joint-stock form of enterprise, are quite absurd. What in fact takes place is a strengthening of the dictatorship of big capital, which begins to utilise even the small savings of traders, money-lenders, officials and so on for the purpose of its plunderous activities.

In 1913, Lenin noted that the supporters of capitalism talked a lot about an increase in the number of property-owners, referring to the growth in the number of small share-holders, but in fact it is the power of the millionaires

<sup>1</sup> Karl Marx, *Capital*, Vol. III, Progress Publishers, Moscow, 1977, p. 908.

<sup>2</sup> Ibid., p. 909.

<sup>3</sup> Ibidem.

<sup>4</sup> Ibidem.



over the capital of small contributors that grows. At the same time, this meant an increase in their incomes.<sup>5</sup>

The economic role of joint-stock companies and their importance in the history of capitalism should not, however, be underestimated. Indeed, capitalism might be said to owe its successes in the last thirty years of the 19th century primarily to joint-stock companies. It is they that speeded up the construction of the railways, electric power stations, huge iron and steel and engineering works, factories and chemical plants, which were usually beyond the powers of the individual capitalist. The rapid development of technology in the most diverse branches of production was closely connected with this. Engineering and chemical technology, transport and electrical engineering advanced considerably and a technical retooling of industry took place. Joint-stock companies provided a new form of centralisation and concentration of capital, further extended the bounds of social production and overcame the restrictions of the factory system. The joint-stock system of capitalism took shape, to stand between the firm belonging to the individual in the mid-19th century and the monopoly capitalism of the 20th century. Later, many joint-stock companies themselves became monopolies.

The accelerated industrialisation in a number of countries in this last third of the 19th century could, it is true, be explained by the fact that the industrial revolution had only just occurred there. This was the case in the USA, and even more so in Germany, Russia and particularly Japan. In China and India it was still not complete by 1917. All these countries continued, though to differing degrees, to make use of the economic possibilities of the manufactory stage of capitalism, which permitted a substantial development of their productive forces.

Consequently, bourgeois historians and economists falsify history when they assign all the technical and economic successes of the late 19th century to the monopolies. In fact, these successes were due to the completion of the industrial revolution and the spread of joint-stock companies, which allowed fuller advantage to be taken of large-scale social production. A new leap forward became possible in the development of the productive forces. The scale of pro-

duction corresponding to classical capitalism, with its manufactory system, was left far behind. In the preliminary period in the history of monopoly capitalism (1871 to 1900), its reactionary nature had little effect, being manifested primarily in the colonies, which capitalism not only plundered, but also doomed to economic backwardness and a century of enslavement. In these countries, colonialism conserved the survivals of feudalism, held back the development of industry, especially heavy industry, and gave rise to pauperism on an unprecedented scale.

In the 20th century, however, the situation changed fundamentally. The joint-stock form of undertaking was undoubtedly a progressive one, but it speeded up the formation of monopolies, and their role proved contradictory. Many monopolies grew up directly out of joint-stock companies, which had expanded to such an extent that they began to control all production and sales of individual goods. Initially, this was achieved on a local market or within an industrial region, but later in entire industries. The national monopoly evolved into a world-wide one. At other times, big enterprises merged, some being the property of individuals, others joint-stock undertakings. They divided up markets or set production quotas, organising sales on a corporate basis through a syndicate office (revenues being divided up later). Often, enterprises confined themselves to signing agreements on minimum prices, the distribution of raw materials, and limitation of competition for a certain time or on a given market. Individually-owned undertakings took part in all this, but it was joint-stock companies that played the most active and, usually, the decisive part. It was they that prepared the ground for and greatly facilitated all sorts of enterprise merger, exchange of shares, bank control over factories, and so on.

The joint-stock system prepared everywhere for the triumph of the monopoly system or developed into it. It might seem that the monopolies simply continued where the joint-stock companies left off, strengthening the concentration of capital and production even more, and making direct co-operation between enterprises and their expansion possible. Yet these progressive aspects take a back seat and are suppressed by the monopolies' plunderous tendencies. Monopolies certainly did not emerge merely in order to build large-scale plants; the joint-stock companies were quite capable of this, but it is not enough for the monopolist,

<sup>5</sup> See V. I. Lenin, "The Growth of Capitalist Wealth", *Collected Works*, Vol. 19, 1977, p. 204 (here and hereafter Progress Publishers, Moscow).

who wants to dominate the market, and not only in order to sell his output without losing the surplus value created by the workers in the plants belonging to the trust or syndicate. It is, in fact, a matter of a redistribution of the surplus value between individual groups of capitalists, of the enrichment of monopolists at the expense of outsiders, the suppliers of raw materials and fuel. Once they entered the international arena, the monopolies started robbing whole countries and continents. By raising prices on the home market or preventing price cuts, in spite of falling production costs, the monopolies rob the population through the sphere of exchange. They work for additional wage cuts. They engender a new form of exploitation in the sphere of exchange, using their economic dictatorship for this purpose. The monopolies were set up as aggressive organisations of capitalists to fight against the working class, put down strikes, enforce lock-outs and consolidate the dictatorship of capital.

Bourgeois economists distort the true course of events by hypocritically asserting that monopolies are created to rationalise and expand production, like the usual sort of joint-stock company. In fact, cartels, syndicates and even trusts change only the external links between capitalist plants and strive merely to appropriate superprofits (at the expense of the workers and consumers, the competitors, and suppliers, and backward countries). The internal structure of production remains unchanged. Monopolies give rise to the "profit from alienation" about which the mercantilists dreamed. Its appropriation through the sphere of exchange is set on a firm basis and carried out on a tremendous scale, one beyond even the dreams of the earliest mercantilists of the 16th-18th centuries.

Overall, the political goals and economic functions of the monopolies reflect their rapacious nature, this being particularly evident in the international arena. Ignoring national frontiers and the opinion of nations, violating their rights and all manifestations of democracy, the monopolists divide up the world as they wish, in their own selfish interests. This accelerates the unleashing of world wars, since the economic division of the world ceases to correspond to the political boundaries. The disaster of 1914 is an obvious example of this, and was repeated in 1939. The monopolies speed up the plundering and division of colonies. First they export capital to the economically backward countries, then proceed with their military occupation.

The manufactory, the factory system and the joint-stock company speeded up technical progress, but monopolies did the opposite. It was no longer as economically essential as before, since the pressure exerted by competition had either disappeared or diminished. Under the protection of monopoly prices, capitalists received an opportunity to continue producing even with old equipment. The monopoly enterprise somewhat resembles the feudal estate, which remained unaffected by technical changes on neighbouring ones. Monopolists buy up many major inventions and do nothing but store them away in their safes, so the development of the productive forces is slowed down during the period of monopoly capitalism. This is one reason for its backwardness in the economic competition with socialism. Capitalism comes into conflict with the productive forces and, by aggravating this contradiction, the monopolies hasten the triumph of the socialist revolution. Only for destructive purposes is the capitalist system of production capable of working full out, and this in itself testifies to the economic bankruptcy of the system. The imperialists try to divert its contradictions on to the international arena and resolve them by force, yet the two world wars merely speeded up the triumphant advance of socialism.

Monopoly capitalism, though it slows down technical progress, does not, of course, exclude it completely. This is primarily because competition still exists in a variety of forms (between monopolists themselves, on the part of outsiders, on foreign markets, and so on). Moreover, even when they charge monopoly prices, trusts, syndicates and cartels have a vested interest in a certain reduction in production costs, since this allows them to reap superprofits from production. For this reason, trusts set up research laboratories and inventions themselves become big business. Monopolies do not exclude technical progress, but this in no way excuses their existence.

In addition, monopolies destroy the productive forces by giving rise to world wars and destructive crises. As a result, entire countries are hurled far back in terms of economic development. Their advance is made extremely difficult. Only socialism can free mankind from economic and military catastrophes. By controlling prices, monopolies often force not only small plants, but even big ones to close down. Limited use is made of industrial capacity. In practice, this means destruction of productive



forces, but the apologists for monopolies choose to ignore this.

Lenin gave a brilliant analysis of the genesis of the monopolies, their economic functions and political role, the unique nature of monopoly capitalism and its contradictions, as well as their role in preparing historically for the socialist revolution. He showed that the age of imperialism was characterised by the decay of capitalism and its gradual decline.

In the summer of 1915, Lenin wrote that "imperialism is the highest stage in the development of capitalism, reached only in the twentieth century. Capitalism now finds that the old national states, without whose formation it could not have overthrown feudalism, are too cramped for it. Capitalism has developed concentration to such a degree that entire branches of industry are controlled by syndicates, trusts and associations of capitalist multimillionaires and almost the entire globe has been divided up among the 'lords of capital' either in the form of colonies, or by entangling other countries in thousands of threads of financial exploitation. Free trade and competition have been superseded by a striving towards monopolies, the seizure of territory for the investment of capital and as sources of raw materials, and so on. From the liberator of nations, which it was in the struggle against feudalism, capitalism in its imperialist stage has turned into the greatest oppressor of nations. Formerly progressive, capitalism has become reactionary; it has developed the forces of production to such a degree that mankind is faced with the alternative of adopting socialism or experiencing years and even decades of armed struggle between the 'Great' Powers for the artificial preservation of capitalism by means of colonies, monopolies, privileges and national oppression of every kind."<sup>6</sup>

Lenin noted that, from 1876 to 1914 inclusively, Britain's colonial possessions increased from 22.5 million sq km to 33.5 million, Russia's from 17 million to 17.4 million, and France's from 0.9 to 10.6 million. At the same time, the population living in British colonies rose from 251.9 to 393.5 million, the respective figures for Russia being 15.9 and 33.2 million, and those for France—6 and 55.5 million people. Moreover, in 1914 the population of the United

<sup>6</sup> V. I. Lenin, "Socialism and War", *Collected Works*, Vol. 21, 1980, pp. 301-02.

Kingdom was only 46.5 million, that of Russia—136.2 million and that of France—39.6 million. In addition, by 1914 Japan had acquired 0.3 million sq km of colonial territory (with a population of 19.2 million), Germany—2.9 million sq km (with a population of 12.3 million) and the USA—0.3 million sq km (with a population of 9.7 million). In all, in 1876 the six Great Powers held 40.4 million sq km of colonial territory with 273.8 million people living there, while the figures for 1914 were 65 million sq km with a population of 523.4 million people. Finally, in 1914, Belgium, Holland and other smaller states possessed 9.9 million sq km of colonial territory with a population of 45.3 million.

To sum up, Lenin stressed that, from 1876 to 1914, the six "Great" Powers had stolen 25 million sq km and their colonial territory was 2.5 times larger than the whole of Europe. They were exploiting over half a billion people, and there were five colonial slaves to every four inhabitants of the metropolitan countries.<sup>7</sup>

Later, in his preface to Bukharin's brochure, Lenin wrote in December 1915 that, even from 1871 to 1914, capitalism had meant not peace, but oppression for 90 per cent of the population in the advanced countries and for hundreds of millions of people living in colonies and other backward countries. Yet "this epoch is gone for good, it has given way to an epoch which is relatively much more violent, spasmodic, disastrous and conflicting, an epoch which for the mass of the population is typified not so much by a 'horror without end' as by a 'horrible end'.

"In all this it is extremely important to bear in mind that this change has been brought about in no other way but the immediate development, expansion and continuation of the most profound and basic trends in capitalism and in commodity production in general. These main trends, which have been in evidence all over the world for centuries, are the growth of exchange and the growth of large-scale production. At a definite stage in the development of exchange, at a definite stage in the growth of large-scale production, namely, at the stage which was attained towards the turn of the century, exchange so internationalised economic relations and capital, and large-scale production assumed such proportions that monopoly began to replace free competition. Monopoly associations of entrepreneurs,

<sup>7</sup> Ibid., p. 303.

trusts, instead of enterprises, 'freely' competing with each other—at home and in relations between the countries—became typical. Finance capital took over as the typical 'lord' of the world; it is particularly mobile and flexible, particularly interknit at home and internationally, and particularly impersonal and divorced from production proper; it lends itself to concentration with particular ease, and has been concentrated to an unusual degree already, so that literally a few hundred multimillionaires and millionaires control the destiny of the world."<sup>8</sup> Lenin unmasked Kautsky's reactionary dreams of the dominion of a world-wide trust and ultra-imperialism as a reactionary striving to soften contradictions, as opportunist rejection of the most pressing tasks of the time. The preface pointed out that "the trend of development is towards a single world trust absorbing all enterprises without exception and all states without exception. But this development proceeds in such circumstances, at such a pace, through such contradictions, conflicts and upheavals—not only economic but political, national, etc.—that inevitably imperialism will burst and capitalism will be transformed into its opposite long before one world trust materialises, before the 'ultra-imperialist', world-wide amalgamation of national finance capitals takes place."<sup>9</sup> In his article "Opportunism and the Collapse of the Second International", printed in January 1916, Lenin once more emphasised that "the epoch of capitalist imperialism is one of ripe and rotten-ripe capitalism, which is about to collapse, and which is mature enough to make way for socialism".<sup>10</sup> He branded Kautsky's prostituted "Marxism", saying that he had gone over to the bourgeois camp.

In January and February 1916, Lenin was preparing theses on the topic "The Socialist Revolution and the Right of Nations to Self-Determination", in which he stated that "imperialism is the highest stage in the development of capitalism. In the foremost countries capital has outgrown the bounds of national states, has replaced competition by monopoly and has created all the objective conditions for the achievement of socialism. In Western Europe and in the

<sup>8</sup> V. I. Lenin, "Preface to N. Bukharin's Pamphlet, 'Imperialism and the World Economy'", *Collected Works*, Vol. 22, 1977, pp. 104-05.

<sup>9</sup> *Ibid.*, p. 107.

<sup>10</sup> V. I. Lenin, "Opportunism and the Collapse of the Second International", *Collected Works*, Vol. 22, p. 109.

United States, therefore, the revolutionary struggle of the proletariat for the overthrow of capitalist governments and the expropriation of the bourgeoisie is on the order of the day. Imperialism forces the masses into this struggle by sharpening class contradictions on a tremendous scale, by worsening the conditions of the masses both economically—trusts, high cost of living—and politically—the growth of militarism, more frequent wars, more powerful reaction, the intensification and expansion of national oppression and colonial plunder."<sup>11</sup> Meanwhile "the domination of finance capital and of capital in general is not to be abolished by any reforms in the sphere of political democracy".<sup>12</sup>

Lenin's most thorough analysis of a profound solution to the entire complex problem of imperialism is found in his remarkable book *Imperialism, the Highest Stage of Capitalism* (January-June 1916), in which he formulated the most burning problems of the day from a Marxist standpoint. This constituted a contribution of extreme scientific and political significance to the economic theory of Marxism-Leninism. Lenin's theory of imperialism revealed the system's sores, determined the chief line of development of modern capitalism and armed the working class ideologically in the struggle for socialism.

This book provided a documentary explanation of the genesis of monopolies: "The enormous growth of industry and the remarkably rapid concentration of production in ever-larger enterprises are one of the most characteristic features of capitalism."<sup>13</sup> Lenin pointed out that "for Europe, the time when the new capitalism definitely superseded the old can be established with fair precision; it was the beginning of the twentieth century."<sup>14</sup> In the course of this change, "capitalism in its imperialist stage leads directly to the most comprehensive socialisation of production; it, so to speak, drags the capitalists, against their will and consciousness, into some sort of a new social order, a transitional one from complete free competition to complete socialisation.

"Production becomes social, but appropriation remains private. The social means of production remain the private

<sup>11</sup> V. I. Lenin, "The Socialist Revolution and the Right of Nations to Self-Determination", *Collected Works*, Vol. 22, p. 143.

<sup>12</sup> *Ibid.*, p. 145.

<sup>13</sup> V. I. Lenin, "Imperialism, the Highest Stage of Capitalism", *Collected Works*, Vol. 22, p. 196.

<sup>14</sup> *Ibid.*, p. 200.



property of a few. The general framework of formally recognised free competition remains, and the yoke of a few monopolists on the rest of the population becomes a hundred times heavier, more burdensome and intolerable."<sup>15</sup> Moreover, "the immense progress of mankind, which achieved this socialisation, goes to benefit ... the speculators".<sup>16</sup> Lenin stressed that "the statement that cartels can abolish crises is a fable spread by bourgeois economists who at all costs desire to place capitalism in a favourable light. On the contrary, the monopoly created in *certain* branches of industry increases and intensifies the anarchy inherent in capitalist production *as a whole*. The disparity between the development of agriculture and that of industry, which is characteristic of capitalism in general, is increased."<sup>17</sup> Besides, it was precisely monopolies that were the latest thing in the newest form of capitalism.

Lenin studied the new role of the banks, pointing out that "as banking develops and becomes concentrated in a small number of establishments, the banks grow from modest middlemen into powerful monopolies having at their command almost the whole of the money capital of all the capitalists and small businessmen and also the larger part of the means of production and sources of raw materials in any one country and in a number of countries. This transformation of numerous modest middlemen into a handful of monopolists is one of the fundamental processes in the growth of capitalism into capitalist imperialism."<sup>18</sup> The reason for this was rooted in the concentration of banking operations, since a single collective capitalist is moulded out of scattered individual ones, so the bank is permitted to look into the state of the undertakings, then take control of them and, finally, "decide their fate", depriving them of credit, and so on. The latest thing in the development of banking is a monopoly strengthened by a personal union.

At the same time, Lenin showed that the beginning of the 20th century was the turning point "from the old capitalism to the new, from the domination of capital in general to the domination of finance capital".<sup>19</sup> He blamed Hilfer-

ding for underestimating the role of concentration of production and wrote: "The concentration of production, the monopolies arising therefrom; the merging or coalescence of the banks with industry—such is the history of the rise of finance capital and such is the content of that concept."<sup>20</sup> Lenin pointed to "the monstrous facts concerning the monstrous rule of the financial oligarchy".<sup>21</sup> In particular, a clear impression of this is given by the way this oligarchy appropriates promotional (founder's) profits, the revenues from loans, speculation in land in the towns, and the like. Lenin stressed that the monopoly took shape and "controls thousands of millions, inevitably penetrates into *every* sphere of public life, regardless of the form of government and all other 'details'",<sup>22</sup> making all society pay the monopolists. Proceeding from the fact that "it is characteristic of capitalism in general that the ownership of capital is separated from the application of capital to production",<sup>23</sup> Lenin came to the conclusion that "imperialism, or the domination of finance capital, is that highest stage of capitalism in which this separation reaches vast proportions. The supremacy of finance capital over all other forms of capital means the predominance of the rentier and of the financial oligarchy; it means that a small number of financially 'powerful' states stand out among all the rest."<sup>24</sup> By analysing material on the size of security issues in the leading countries, Lenin established that, over the last thirty years of the 19th century, such issues did not increase very rapidly and began to do so only in the first decade of the 20th century, when they doubled. The beginning of this century was a time of change in terms of the growth of finance capital, too.

Lenin's analysis of the export of capital is of outstanding importance. He wrote that "typical of the old capitalism, when free competition held undivided sway, was the export of *goods*. Typical of the latest stage of capitalism, when monopolies rule, is the export of *capital*."<sup>25</sup> The reason for this was that "the uneven and spasmodic development of individual enterprises, individual branches of industry and

<sup>15</sup> V. I. Lenin, "Imperialism, the Highest Stage of Capitalism", op. cit., p. 205.

<sup>16</sup> Ibid., p. 207.

<sup>17</sup> Ibid., p. 208.

<sup>18</sup> Ibid., p. 210.

<sup>19</sup> Ibid., p. 226.

<sup>20</sup> Ibidem.

<sup>21</sup> Ibid., p. 227.

<sup>22</sup> Ibid., p. 237.

<sup>23</sup> Ibid., p. 238.

<sup>24</sup> Ibid., p. 238-39.

<sup>25</sup> Ibid., p. 240.

individual countries is inevitable under the capitalist system".<sup>26</sup> Thus, Britain became the first "world workshop" and gained an industrial monopoly. At the end of the last century, however, Britain lost this monopoly and the turn of the century saw "the formation of a new type of monopoly: firstly, monopolist associations of capitalists in all capitalistically developed countries; secondly, the monopolist position of a few very rich countries, in which the accumulation of capital has reached gigantic proportions. An enormous 'surplus of capital' has arisen in the advanced countries."<sup>27</sup> These capitals could be used for developing agriculture and improving the economic conditions of the broad population, but, as Lenin pointed out, "if capitalism did these things it would not be capitalism; for both uneven development and a semi-starvation level of existence of the masses are fundamental and inevitable conditions and constitute premises of this mode of production. As long as capitalism remains what it is, surplus capital will be utilised not for the purpose of raising the standard of living of the masses in a given country, for this would mean a decline in profits for the capitalists, but for the purpose of increasing profits by exporting capital abroad, to the backward countries. In these backward countries profits are usually high, for capital is scarce, the price of land is relatively low, wages are low, raw materials are cheap."<sup>28</sup> Broad opportunities were opened up for exploiting backward countries. Before the First World War, Britain, France and Germany exported a total of 175-200 billion francs, the income from them coming to 8-10 billion francs a year. A major role was played by colonial banks, and finance capital cast its nets throughout the world.

Lenin showed clearly how the monopolies divide up not only domestic, but also foreign markets, thereby engendering international cartels. Thus there emerged "a new stage of world concentration of capital and production, incomparably higher than the preceding stages".<sup>29</sup> This does not mean, however, that there is any hope of peace between nations under capitalism. Lenin unmasked Kautsky's illusions, stressing that "theoretically, this opinion is absolu-

<sup>26</sup> V. I. Lenin, "Imperialism, the Highest Stage of Capitalism", op. cit., p. 241.

<sup>27</sup> Ibidem.

<sup>28</sup> Ibidem.

<sup>29</sup> Ibid., p. 246.

tely absurd, while in practice it is sophistry and a dishonest defence of the worst opportunism".<sup>30</sup> International cartels show that only the forms of struggle are changing, not their essence and class content, which cannot do so while classes still exist. On the contrary, the economic division of the world by the monopolies exacerbates the political struggle for its redivision and a change in national frontiers.

This struggle was also aggravated by the fact that, at the end of the 19th century, the world had already been divided up, so it could only be redivided. As Lenin pointed out, mankind is going through "a peculiar epoch of world colonial policy, which is most closely connected with the 'latest stage in the development of capitalism', with finance capital".<sup>31</sup> He rejected generalisation concerning imperialism in isolation from specific historical conditions as being "vapid banality" and wrote that "even the capitalist colonial policy of *previous* stages of capitalism is essentially different from the colonial policy of finance capital.

"The principal feature of the latest stage of capitalism is the domination of monopolist associations of big employers. These monopolies are most firmly established when *all* the sources of raw materials are captured by one group."<sup>32</sup> For this reason, "the more capitalism is developed, the more strongly the shortage of raw materials is felt, the more intense the competition and the hunt for sources of raw materials throughout the whole world, the more desperate the struggle for the acquisition of colonies".<sup>33</sup> At the same time, the seizure of colonies was stimulated by the export of capital.

Lenin proved brilliantly that imperialism is a special stage of capitalism. He wrote that "imperialism emerged as the development and direct continuation of the fundamental characteristics of capitalism in general. But capitalism only became capitalist imperialism at a definite and very high stage of its development, when certain of its fundamental characteristics began to change into their opposites, when the features of the epoch of transition from capitalism to a higher social and economic system had taken shape and revealed themselves in all spheres. Economically, the main thing in this process is the displacement of capitalist free

<sup>30</sup> Ibid., p. 252.

<sup>31</sup> Ibid., p. 254.

<sup>32</sup> Ibid., p. 260.

<sup>33</sup> Ibidem.



competition by capitalist monopoly."<sup>34</sup> True, "the monopolies, which have grown out of free competition, do not eliminate the latter, but exist above it and alongside it, and thereby give rise to a number of very acute, intense antagonisms, frictions and conflicts."<sup>35</sup> Even so, in Lenin's opinion, a short definition of the new stage in the development of capitalism may state that "imperialism is the monopoly stage of capitalism".<sup>36</sup> Deciphering this definition, he isolated five main features of imperialism: "(1) the concentration of production and capital has developed to such a high stage that it has created monopolies which play a decisive role in economic life; (2) the merging of bank capital with industrial capital, and the creation, on the basis of this 'finance capital', of a financial oligarchy; (3) the export of capital as distinguished from the export of commodities acquires exceptional importance; (4) the formation of international, monopolist capitalist associations which share the world among themselves, and (5) the territorial division of the whole world among the biggest capitalist powers is completed. Imperialism is capitalism at that stage of development at which the dominance of monopolies and finance capital is established; in which the export of capital has acquired pronounced importance; in which the division of the world among the international trusts has begun; in which the division of all territories of the globe among the biggest capitalist powers has been completed."<sup>37</sup> Lenin condemned Kautsky's attempts to give a purely political definition of imperialism and reduce it to the policy of subordinating agrarian countries to industrial ones. He indicated that there was a struggle going on for the industrial regions of Belgium and Lotharingia, too, and that from the 1880s it was precisely the development of finance capital that strengthened the colonial expansion of France (in spite of the country's decelerating industrial development). He criticised Cunow's absurd ideas concerning the progressive nature of imperialism, supposedly testifying to the progressiveness of capitalism as such.

In a special section of his book, Lenin gave a profound analysis of the decay of capitalism in the age of imperialism, unmasking Hilferding's attempts to get round this issue

<sup>34</sup> V. I. Lenin, "Imperialism, the Highest Stage of Capitalism", op. cit., p. 265.

<sup>35</sup> Ibid., p. 266.

<sup>36</sup> Ibidem.

<sup>37</sup> Ibid., pp. 266-67.

and conceal the development of parasitism. Lenin noted that the system of capitalist monopolies also "inevitably engenders a tendency to stagnation and decay. Since monopoly prices are established, even temporarily, the motive cause of technical and, consequently, of all other progress disappears to a certain extent and, further, the *economic* possibility arises of deliberately retarding technical progress."<sup>38</sup> The theory of stagnation was, of course, alien to Lenin, and he wrote that "the possibility of reducing the cost of production and increasing profits by introducing technical improvements operates in the direction of change. But the *tendency* to stagnation and decay, which is characteristic of monopoly, continues to operate, and in some branches of industry, in some countries, for certain periods of time, it gains the upper hand".<sup>39</sup> At the same time, the export of capital strengthens the stratum of rentiers and "sets the seal of parasitism on the whole country that lives by exploiting the labour of several overseas countries and colonies".<sup>40</sup> As a result, the entire "world has become divided into a handful of usurer states and a vast majority of debtor states".<sup>41</sup> Britain was a clear example, the incomes of rentiers being five times greater than those from foreign trade. This also affected the working-class movement. As Lenin indicated, "the rentier state is a state of parasitic, decaying capitalism, and this circumstance cannot fail to influence all the socio-political conditions of the countries concerned, in general, and the two fundamental trends in the working-class movement, in particular".<sup>42</sup> Since Britain exploited the entire world and enjoyed a colonial monopoly, a bourgeoisification of part of the working class was observed, opportunism became entrenched and a "temporary decay of the working-class movement" occurred.

Lenin criticised fundamentally the petty-bourgeois illusions entertained by Hobson, Kautsky and others concerning the possibility of a reformist change in the foundations of imperialism, stressing that "the only conceivable basis under capitalism for the division of spheres of influence, interests, colonies, etc., is a calculation of the *strength* of those participating, their general economic, financial,

<sup>38</sup> Ibid., p. 276.

<sup>39</sup> Ibidem.

<sup>40</sup> Ibid., p. 277.

<sup>41</sup> Ibidem.

<sup>42</sup> Ibid., pp. 278-79.

military strength, etc. And the strength of these participants in the division does not change to an equal degree, for the *even* development of different undertakings, trusts, branches of industry, or countries is impossible under capitalism."<sup>43</sup> Evidence of this is provided by the rapid change in the balance of forces in Britain and Germany, Russia and Japan. In fact, "imperialism is the epoch of finance capital and of monopolies, which introduce everywhere the striving for domination, not for freedom. Whatever the political system, the result of these tendencies is everywhere reaction and an extreme intensification of antagonisms in this field."<sup>44</sup>

When determining imperialism's historical place, Lenin wrote that monopoly capitalism aggravated all the contradictions of capitalism (thereby raising the cost of living, the tax burden, and so on), and "this intensification of contradictions constitutes the most powerful driving force of the transitional period of history, which began from the time of the final victory of world finance capital.

"Monopolies, oligarchy, the striving for domination and not for freedom, the exploitation of an increasing number of small or weak nations by a handful of the richest or most powerful nations—all these have given birth to those distinctive characteristics of imperialism which compel us to define it as parasitic or decaying capitalism."<sup>45</sup> Lenin did not deny that "on the whole, capitalism is growing far more rapidly than before; but this growth is not only becoming more and more uneven in general, its unevenness also manifests itself, in particular, in the decay of the countries which are richest in capital (Britain)."<sup>46</sup> His final conclusion was that imperialism is moribund capitalism, under which there is a sharp intensification of the chief contradiction of capitalism, "private property relations constitute a shell which no longer fits its contents, a shell which must inevitably decay"<sup>47</sup> if opportunists put off eliminating the abscess.

In his work "Imperialism and the Split in Socialism" (October 1916), Lenin wrote that "imperialism is parasitic or decaying capitalism" and this is manifested primarily "in the tendency to decay, which is characteristic of *every*

monopoly under the system of private ownership of the means of production". The bourgeoisie is rotting alive, but this "by no means precludes an extraordinarily rapid development of capitalism in individual branches of industry, in individual countries, and in individual periods". At the same time, as Lenin noted, the decay of capitalism tells in the formation of an enormous stratum of rentiers, in the export of capital (meaning "parasitism raised to a high pitch"), the formation of finance capital (leading to political reaction) and exploitation of oppressed nations, turning the "civilised" world into "a parasite on the body of hundreds of millions in the uncivilised nations".<sup>48</sup>

The natural way out of this difficult position was a socialist revolution and Lenin gave a new solution to its complex problems, relying on his theory of imperialism and the law of the uneven development of individual countries.

In his article "A Separate Peace" (November 1916), Lenin wrote that "whatever the outcome of the present war, those who maintained that the only possible socialist way out of it is through civil war by the proletariat for socialism, will have been proved correct".<sup>49</sup>

In September 1916, Lenin pointed out that "the development of capitalism proceeds extremely unevenly in different countries. It cannot be otherwise under commodity production. From this it follows irrefutably that socialism cannot achieve victory simultaneously in *all* countries. It will achieve victory first in one or several countries, while the others will for some time remain bourgeois or pre-bourgeois."<sup>50</sup>

The struggle for the victory of a socialist revolution is hampered, however, by revisionists and overt reformists, who demoralised the working class with chauvinistic and liberal demagoguery and disrupted its ranks. For this reason, Lenin was merciless in his attacks on the agents of the bourgeoisie within the working-class movement.

Explaining the roots of opportunism, Lenin wrote in 1913 that, from 1872 to 1904, as a result of the dialectics of history, "the theoretical victory of Marxism compelled

<sup>43</sup> V. I. Lenin, "Imperialism, the Highest Stage of Capitalism", op. cit. p. 295.

<sup>44</sup> Ibid., p. 297.

<sup>45</sup> Ibid., p. 300.

<sup>46</sup> Ibidem.

<sup>47</sup> Ibid., p. 303.

<sup>48</sup> V. I. Lenin, "Imperialism and the Split in Socialism", *Collected Works*, Vol. 23, 1974, p. 106.

<sup>49</sup> V. I. Lenin, "A Separate Peace", *Collected Works*, Vol. 23, p. 132.

<sup>50</sup> V. I. Lenin, "The Military Programme of the Proletarian Revolution", *Collected Works*, Vol. 23, p. 79.



its enemies to *disguise themselves* as Marxists. Liberalism, rotten within, tried to revive itself in the form of socialist *opportunism*. They interpreted the period of preparing the forces for great battles as renunciation of these battles. Improvement of the conditions of the slaves to fight against wage slavery they took to mean the sale by the slaves of their right to liberty for a few pence. They cravenly preached 'social peace' (i.e., peace with the slave-owners), renunciation of the class struggle, etc. They had very many adherents among socialist members of parliament, various officials of the working-class movement, and the 'sympathising' intelligentsia".<sup>51</sup>

In his article "Marxism and Reformism", Lenin wrote (in 1913) that "reformism is bourgeois deception of the workers, who, despite individual improvements, will always remain wage-slaves, as long as there is the domination of capital."<sup>52</sup>

He pointed out that "the liberal bourgeoisie grant reforms with one hand, and with the other always take them back, reduce them to naught, use them to enslave the workers, to divide them into separate groups and perpetuate wage-slavery. For that reason reformism, even when quite sincere, in practice becomes a weapon by means of which the bourgeoisie corrupt and weaken the workers."<sup>53</sup>

When the First World War broke out, the parties making up the Second International supported it, thereby revealing themselves to be bankrupt. Lenin unmasked the treacherous role played by the revisionists and reformists, who began to serve the imperialist blocs.

In his article "The Position and Tasks of the Socialist International", published on November 1, 1914, Lenin wrote that the Second International was dead, defeated by opportunism, though it had carried out its share of useful work "in preliminarily organising the proletarian masses during the long, 'peaceful' period of the most brutal capitalist slavery and most rapid capitalist progress in the last third of the nineteenth and the beginning of the twentieth centuries". Lenin put forward the task of setting up a Third International and emphasised that to it would fall "the task

<sup>51</sup> V. I. Lenin, "The Historical Destiny of the Doctrine of Karl Marx", *Collected Works*, Vol. 18, 1973, p. 584.

<sup>52</sup> V. I. Lenin, "Marxism and Reformism", *Collected Works*, Vol. 19, 1977, p. 372.

<sup>53</sup> *Ibidem*.

of organising the proletarian forces for a revolutionary onslaught against the capitalist governments, for civil war against the bourgeoisie of all countries for the capture of political power, for the triumph of socialism!"<sup>54</sup>

Lenin's revelation of the democratic illusions spread by the leaders of the Second International during and after the First World War among the workers in the struggle against a socialist revolution was of extreme importance.

In September 1917, Lenin stressed that "the rule of the bourgeoisie is *irreconcilable* with truly-revolutionary true democracy. We cannot be revolutionary democrats in the twentieth century and in a capitalist country *if we fear* to advance towards socialism."<sup>55</sup>

Criticising the ideas on democracy held by Kautsky, Scheidemann and other leaders of the Second International, Lenin wrote on December 23, 1918 that "it is sheer mockery of the working and exploited people to speak of pure democracy, of democracy in general, of equality, freedom and universal rights when the workers and all working people are ill-fed, ill-clad, ruined and worn out not only as a result of capitalist wage-slavery, but as a consequence of four years of predatory war, while the capitalists and profiteers remain in possession of the 'property' usurped by them and the 'ready-made' apparatus of state power".<sup>56</sup>

<sup>54</sup> V. I. Lenin, "The Position and Tasks of the Socialist International", *Collected Works*, Vol. 21, 1980, pp. 40-41.

<sup>55</sup> V. I. Lenin, "The Impending Catastrophe and How to Combat It", *Collected Works*, Vol. 25, 1980, p. 360.

<sup>56</sup> V. I. Lenin, "Democracy and Dictatorship", *Collected Works*, Vol. 28, 1974, p. 369.

## Chapter 2

### MONOPOLY DICTATORSHIP IN THE USA

1. *The preconditions for the Civil War.* In the period of imperialism, the USA underwent a considerable economic rise, a tremendous role in this having been played by the abolition of slavery in the Southern states as a result of the Civil War of 1861-1865. This war was a major turning point in the history of the USA, including its economic history. Economic development gained impetus. The elimination of antiquated forms of production facilitated the expansion of capitalism. The Civil War was virtually the concluding stage in the revolution that began at the end of the 18th century, and constituted an advance in it. The revolution of 1775-1783 was anti-feudal and eliminated this system. In the struggle against colonialism, however, it was not radical enough and destroyed only the British domination. Other forms of colonialism—expropriation of the Red Indians and plantation slavery—remained. From the end of the 18th century, they began to develop even more, so the abolition of slavery was the concluding stage in the revolution, an extension of its struggle against colonialism. It took eighty years for all the tasks raised by the revolution to be fulfilled.

The classics of Marxism-Leninism highly appraised the historical role and progressiveness of the Civil War. In a letter to American workers (August 20, 1918), Lenin pointed out that, in 1870, the USA had suffered from a civil war that destroyed certain industries and had been thrown over a decade backwards. Lenin said, however, "what a pedant, what an idiot would anyone be to deny on *these* grounds the immense world-historic, progressive and revolutionary significance of the American Civil War of 1863-65!"<sup>1</sup>

In 1861, Marx wrote about plantation slavery in the South of the USA as "the meanest and most shameless form of

<sup>1</sup> V. I. Lenin, "Letter to American Workers", *Collected Works*, Vol. 28, p. 68.

man's enslaving recorded in the annals of history".<sup>2</sup> Abolition of the slave-owning system was an outstanding event in the history of the liberation movement. It had a positive effect on the working-class movement in Europe, too, since the 1861-1865 Civil War had been an alarm bell to it.

The question of the reasons for the Civil War was a point of dispute right from the start and Marx himself played a major role in analysing these factors.

In his article "The North American Civil War" (1861), Marx unmasked the fabrications of the British press to the effect that this was an unprincipled "tariff war", in no way connected with slavery, and that secession of the Southern states would have been the best solution. He stressed that the entire movement "was and is based, as one sees, on the *slave question*. Not in the sense of whether the slaves within the existing slave states should be emancipated outright or not, but whether the 20 million free men of the North should submit any longer to an oligarchy of 300,000 slaveholders; whether the vast territories of the republic should be nurseries for free states or for slavery; finally, whether the national policy of the Union should take armed spreading of slavery in Mexico, Central and South America as its device."<sup>3</sup>

Broad strata of the population, above all the Negroes themselves, came out against slavery. The Negroes had long since been fighting slavery and their hatred of it requires no explanation: they were its victims. Their actions were supported by the workers, who were the virtual slaves of the factory-owners. Slavery demeaned the workers in the social sense, and their economic interests suffered from the competition of slave-labour. Farmers had ancient scores to settle with the plantation-owners, too. Competition from the virtually free labour of Negro slaves undermined the foundations of farming. Cotton-growing was beyond the small-scale farmer. By cruelly exploiting his slaves, the planter could sell his agricultural output at lower prices than those charged by the farmer. A fierce struggle was being waged for land. Moving westwards, the planters seized enormous tracts of fertile land for setting up their latifundia,

<sup>2</sup> Karl Marx, "The London Times on the Orleans Princes in America", in: Karl Marx, Frederick Engels, *Collected Works*, Vol. 19, Progress Publishers, Moscow, 1984, p. 30.

<sup>3</sup> Karl Marx, "The North American Civil War", in: Karl Marx, Frederick Engels, *Collected Works*, Vol. 19, p. 42.



though the land was needed by farmers and colonists. A conflict arose between the two types of colonisation—farmers' and planters'. In practice, this meant a conflict between two courses of development for capitalism in agriculture. The agrarian contradictions that had obtained at the time of the revolution of 1775-1783 re-emerged. Then, under pressure from farmers, feudal land-ownership collapsed, but slavery remained. Now the farmers' movement grew into an anti-slavery one, since the planters spread large-scale land-ownership. Their latifundia began to play the role of feudal estates. From the farmers' point of view, there was no difference between them: both infringed on their interests. Lenin believed that vestiges of slavery later acted, equally, as vestiges of feudalism in the USA. The abolition of slavery was of vital interest to the farmers, i.e., the vast majority of the US population. It was a matter of the final victory of the farming type of capitalist development in agriculture. Eighty years after the elimination of feudalism, the turn of plantation slavery had come. The intelligentsia took an active part in the struggle against slavery for humanitarian motives, thereby reflecting the democratic strivings of the age.

Why, though, did the capitalists of the North oppose slavery? The leading capitalists had, of course, been content with slavery for centuries, had engaged in the slave-trade, had themselves become plantation-owners and cruelly exploited their slaves. The planters were also capitalists, differing little from the factory-owners. They often struggled against one another, but only for a share in the plunder of the colonial periphery. The contradictions between them were not fundamental. It was merely a matter of a distribution of the spoils, of different methods for exploiting the broad population. The capitalists were not against slavery in principle. In the mid-19th century, the so-called Democratic Party, which still exists today, openly defended slavery. It is not surprising that it now defends wage-slavery, makes threats with the atom bomb and hides behind democratic phrase-mongering. What cruel irony with respect to freedom and democracy! The great Russian revolutionary and true democrat N. G. Chernyshevsky was indignant that, in the USA, the party of the slave-owners called itself democratic. Such, however, is the hypocritical system of bourgeois democracy. Even when the Civil War broke out, the bourgeoisie did not raise the issue of abolishing slavery;

it merely oriented itself on localising it and restricting the expansionist policies of the planters. Abraham Lincoln himself vacillated and sought ways to come to terms with them. The bourgeoisie in the Northern states came out against slavery because the planters themselves challenged them and opened hostilities.

Eleven states (South Carolina, Mississippi, Florida, Alabama, Georgia, Louisiana, Arkansas, Texas, Virginia, North Carolina, and Tennessee) broke away and formed the Confederate States which unleashed the Civil War on April 12, 1861. The bourgeoisie in the North lost enormous areas of land that they had actively participated in plundering. There was even a risk that the Southern planters would win overall dominion over the Northern states. Even after this, for eighteen months President Lincoln did not liberate the slaves.

It cannot be denied, of course, that the bourgeoisie in the Northern states had a vested interest in the abolition of plantation slavery. They were participating in the plunder of the land in the West, but this land was also claimed by slave-owners. Real-estate speculators clashed with planters in the arena of colonial plunder. The factory-owners of the North needed cheap manpower. They had to import paupers from Europe or raise the wages of local workers. The planters, however, had a monopoly of the exploitation of Negroes, millions of whom could have been used on the farms and in the factories of the Northern states. Moreover, in the South the domination of plantation slavery restricted the local market. The Negroes could not buy industrial goods, they were clothed in coarse homespun, ate maize and had no furniture. The planters oriented themselves on free trade and were not interested in the fate of industry, but in the import of cheap goods from Britain and the lifting of restrictions on the export of cotton. Protectionism, stuck to by the Northern factory-owners, who demanded protection for industry against British competition, created difficulties for them. Using their influence, in 1857 the planters forced Congress to lower customs duties and, in 1859, they abolished the subsidies to the ship-building industry on the Atlantic coast. If the Southerners had won, such measures would have become commonplace.

In addition, it must be remembered that, in the mid-19th century, plantation slavery had virtually exhausted its potential. By spending 20 dollars to keep a slave, the planter

received, it is true, an annual net income of 80 dollars, but the outlays on purchasing slaves were enormous. Capital was immobilised. Moreover, the Negroes escaped or died in large numbers. Supervision costs went up. The slaves' labour productivity was only a quarter to a third of that of wage-workers. In Georgia, a free Negro could be hired in the middle of the century for 120 dollars a year, while outlays on a slave totalled, in many places, 135 dollars. Progress in technology was virtually impossible. The slave plantation became economically unviable and was superseded by the capitalist farm.

Marx delved deeply in revealing the contradictions of plantation slavery in his article "The North American Civil War". He wrote that the export crops (cotton, sugar, tobacco and so on) were profitable "as long as it is conducted with large gangs of slaves, on a mass scale and on wide expanses of a naturally fertile soil, which requires only simple labour. Intensive cultivation, which depends less on fertility of the soil than on investment of capital, intelligence and energy of labour, is contrary to the nature of slavery."<sup>4</sup> This, he stated, explained the transformation of Maryland and Virginia into states "which raise slaves" instead of export goods and the weak development of cotton-growing in South Carolina. The constant expansion of the territory under slavery was an economic law.

Describing the slave-owning economy, Marx wrote that "the price paid for a slave is nothing but the anticipated and capitalised surplus-value of profit to be wrung out of the slave. But the capital paid for the purchase of a slave does not belong to the capital by means of which profit, surplus-labour, is extracted from him. On the contrary. It is capital which the slave-holder has parted with, it is a deduction from the capital which he has available for actual production. It has ceased to exist for him, just as capital invested in purchasing land has ceased to exist for agriculture." The purchase of a slave does not, in itself, allow the owner to exploit him; this opportunity is provided only by the investment of "some additional capital in the slave economy itself".<sup>5</sup>

By the time of the Civil War, there were four million slaves in the USA, worth four billion dollars.

<sup>4</sup> Karl Marx, "The North American Civil War", in: Karl Marx, Frederick Engels, *Collected Works*, Vol. 19, p. 39.

<sup>5</sup> Karl Marx, *Capital*, Vol. III, p. 809.

The country's bourgeoisie lost its economic interest in retaining slavery, which had exhausted itself as a form of production. The US capitalists oriented themselves on more refined and modern methods of colonial policy and exploitation of the people. The sweating system of factory production wrung more profits from the Negroes and was more effective.

Now the apologists of capitalism in the USA often assert that the bourgeoisie gave the Negroes their freedom for moral reasons. In fact, freedom was ruled by exploitative interests and a fear of reprisal from the people. The exceptional concentration of Negroes in the Southern states became a political danger. Their actions were a real threat, especially in that they might have found support among the workers. Slavery had to be abolished to prevent anything worse happening.

2. *The economic consequences of the anti-slavery revolution.* The Civil War lasted for about four years and ended on April 9, 1865. It was the biggest war in American history and claimed many victims: about a million soldiers and civilians died. Yet the bourgeoisie behaved shamefully. For a payment of 300 dollars, rich capitalists bought themselves the right to stay out of the fighting and save their skins, rather than fight for the freedom of the Negroes. At the same time, they bent even greater efforts to their speculation and marauding. The entire burden of the fight fell on to the shoulders of the working masses. Most of the volunteers consisted of farmers, workers and Negroes, while the famed ancestors of today's American billionaires (J. P. Morgan, J. D. Rockefeller and others) paid recruits to take their places.

Lincoln's call for volunteers met with the greatest response among the workers, over half of whom went into the army to fight the planters of the South. Industry in the Northern states lost 500,000-750,000 hands. The weavers' union in Fall River, Massachusetts was closed down, since the majority of its members had left for the front as volunteers. Volunteer companies from Illinois consisted entirely of miners.

Negroes themselves took an active part in the Civil War, and 186,000 of them fought for the North. During the war, about 500,000 Negroes escaped from plantations in order to free themselves from slavery and take an active part in the battle. About 37,000 Negro soldiers were killed in the war; many Negroes became officers. The Negroes' enthusiasm reached its peak after the North's victory. In Charleston,



where the war began, Negroes broke into the plantation-owners' palatial homes with cries of "freedom", burnt the auction stands where slaves had been sold, destroyed branding implements, instruments of torture and carriages where slaves had been held. Later, however, they were betrayed by the bourgeoisie.

The Civil War was directed against slavery and had serious economic after-effects. One of these was a certain democratisation of land-ownership, as a result of the 1862 Homestead Act. The free distribution of unoccupied land among small farmers (160 acres each) partly satisfied their demands. It did not, however, exclude land speculation, which expanded in the second half of the 19th century.

The farming development course of capitalism in agriculture in the USA gained a final victory. Many of the plantations in the South were eliminated and sold off. The bourgeoisie did not, however, want to satisfy the Negroes' demands for "forty acres and a mule". Even the radical wing of the Republicans did not come out for breaking up the plantations and allocating the land to the Negroes, so sharecropping took root in the South and the Negroes had to rent land and work for their former masters. This treachery on the part of the bourgeoisie doomed the Negroes to a life of poverty, and new agrarian contradictions began to develop. Even the concluding stage of the revolution in the USA was not radical enough.

The reason was that, at both its stages, it was the bourgeoisie that took the lead and pursued only their own interests.

The chief consequence of the Civil War was the abolition of plantation slavery in the South. When the situation became threatening, on September 22, 1862 President Lincoln published the famous Emancipation Proclamation declaring all Negroes to be free. It came into force on January 1, 1863. No compensation was provided for and the planters lost about three billion dollars. The South's resistance was in vain, and industry there was poorly developed. The North had almost all the country's iron and steel, weapons and textile plants. The population reached 22 million, while on the territory of the Confederacy there were only nine million people, including four million Negroes. As a result, the plantation-owners were defeated. The broad population had no desire to support their dirty cause and nothing came of the hopes that Britain would intervene. In January 1865,

Congress confirmed the Thirteenth Amendment to the Constitution, prohibiting slavery on the territory of the USA.

Vestiges of slavery remained, it is true, and survive even to this day, as the discrimination against Negroes shows. This discrimination has become an inalienable part of the "American way of life". Barbarous lynchings still take place.

The planters still did not lay down their arms even after the defeat of the South in the Civil War. They strove to maintain the old order by replacing slavery with peonage, and then by passing special laws on debtors and vagrants. At the same time, the planters established a regime of terror over the Negroes. In the town of Memphis, from May 1 to 3, 1866, mass murders of Negroes were organised and 46 people were lynched.

The events in the USA also affected certain branches of world industry. There was a sharp drop in the output of cotton and its export was temporarily disrupted.

The cotton hunger engendered by the Civil War of 1861-1865 was interpreted by Marx as "the greatest example of an interruption in the production process through scarcity and dearness of raw material".<sup>6</sup> The British textile industry was in a difficult position. In order to overcome this, the mill-owners tried to make fuller use of "cotton waste", to expand imports of Indian cotton, and so on.

During the American Civil War, there was a considerable deterioration in the economic condition of the workers. In 1865 wages were only 40 per cent higher than in 1860, while prices had risen by 116 per cent. The working day remained very long, usually eleven hours, and sometimes even up to fourteen. New methods began to be applied for intensifying labour. The newspapers wrote about workers fainting at their benches and children asleep at their machines. In some factories, girls worked from 6 a.m. to 12 midnight for 3 dollars a week. Yet food continued to rise in price. For example, the price of a pound of butter increased from 4 to 24 cents. Strikes were put down with ferocity. On the railroads, troops were even used for this purpose.

During the years of the Civil War, the US bourgeoisie waxed rich extremely fast. The government spent over a million dollars a day on military supplies, and the produc-

<sup>6</sup> Karl Marx, *Capital*, Vol. III, p. 128.

tion of clothing, footwear and canned foods assumed a mass scale.

Fraudulent speculation by suppliers brought them enormous profits. J. P. Morgan, for example, bought up a whole stock of useless rifles belonging to the Treasury Department for only 17,500 dollars and sold them to government for 110,000 dollars the next day. Through financing the Federal Government, the banker Jay Cooke made a dishonest 20 million dollars on commission payments alone.

The Civil War also saw a sharp increase in the profits made by capitalists. In the wool industry, dividends often reached 25-40 per cent. Even railroad shares began to bring their owners 8-9 per cent a year, while previously they had brought in no profits at all. The share quotes rose sharply. Big farmers in the West also made money from the rapid increase in the production of wheat.

Describing the economic consequences of the Civil War, Marx wrote that it "brought in its train a colossal national debt, and, with it, pressure of taxes, the rise of the vilest financial aristocracy, the squandering of a huge part of the public land on speculative companies for the exploitation of railways, mines, etc., in brief, the most rapid centralisation of capital".<sup>7</sup>

The events of 1861-1865 gave new impetus to the working-class movement and, in 1866, a broad association arose under the title of the National Labor Union.

Analysing the situation in the USA, Marx wrote that "every independent movement of the workers was paralysed so long as slavery disfigured a part of the Republic. Labour cannot emancipate itself in the white skin where in the black it is branded. But out of the death of slavery a new life at once arose. The first fruit of the Civil War was the eight hours' agitation, that ran with the seven-league boots of the locomotive from the Atlantic to the Pacific, from New England to California."<sup>8</sup> On August 16, 1866, its motto was already being used by the general workers' congress in Baltimore.

In the spring of 1865, the Southern planters responded by assassinating President Abraham Lincoln, an act that aroused the indignation of all progressive humanity throughout the world.

<sup>7</sup> Karl Marx, *Capital*, Vol. I, Progress Publishers, Moscow, 1974, pp. 723-24.

<sup>8</sup> *Ibid.*, p. 284.

3. *The development of agriculture.* During the age of imperialism, US agriculture continued to develop intensively, partly as a consequence of the anti-slavery revolution. Plantation slavery was abolished and the development of the productive forces was promoted. The victory of the more progressive farming system opened up broad opportunities before US agriculture.

On the basis of the 1862 Homestead Act, from 1862 to 1890 about a million people in the USA received land. The expropriation of the Red Indians continued.

During the age of imperialism, the Indian reservations shrank even more. In 1880, they covered an area of 241,800 square miles, but by 1918—only 53,490. The Indians had less than 2 per cent of the land at their disposal.

The annihilation of the Red Indians gained momentum. In 1862, for example, many Sioux were massacred and later they were virtually wiped out during the war of 1875-1876. During the 1872-1873 war with the Modocs in Oregon, Indians were hanged mercilessly. The 1880 census showed that there were only 334,000 Indians in the USA. Even their reservations were seized (in Arkansas in 1889 and in Oklahoma in 1890).

During this period, the so-called Wild West—the vast territories to the North-West of Mississippi—was being intensively colonised. The colonisation acquired such a scale that, by the 1890s, all the fertile land had been settled. The plunder of the land proceeded on an unprecedented scale. Land speculators used even the Homestead Act in their underhand deals, organising claims by proxy and thereby acquiring vast areas. The rise in the price of land favoured such activities.

The further to the West, the bigger were the farms. In 1910, in the Pacific Coast states 25.1 of the 51.3 million acres of cultivated land belonged to big farmers, while in New England the ratio was totally different (1.1 million acres and 19.7 million).

Colonisation stimulated the development of agriculture, and the cultivated area expanded rapidly. At the same time, the development of capitalism in farming also had an effect. Large farms of a capitalist type, using considerable capital, machinery and so on emerged. The productivity of such farms was naturally much higher.

The grain-growing centre moved further and further West. In 1860, it was in the Eastern part of Indiana; later, in 1900,



already in Eastern Iowa. The chief wheat suppliers became Kansas, North Dakota, Nebraska, Oklahoma and Illinois. Most of the maize came from the states of Iowa, Indiana, Illinois, Missouri, Texas and South Dakota. By the 1870s, the USA was Europe's granary. From 1880 to 1900, grain production rose from 173 million to 658 million bushels.

In the imperialist period, agricultural output in the USA was increasing rapidly: from 1870 to 1900 the wheat harvest rose from 236 million bushels to 522 million; that of maize from 1,904 to 2,105 million bushels; that of cotton from 4,352 thousand to 10,102 thousand bales. The process continued in the early 20th century: from 1900 to 1914, the grain harvest increased by 70 per cent, that of cotton by 58 per cent and that of maize by 27 per cent.

In the early 20th century, pig-breeding was developing particularly intensively. In 1900 there were 37,079 thousand pigs, but the figure had risen to 58,933 thousand by 1914.

In the late 19th and early 20th centuries, the value of agricultural output in the USA rose rapidly: in 1890 it stood at 2.5 billion dollars; in 1900 at 5 billion and in 1914—at almost 10 billion dollars.

From the time of the Civil War onwards, mechanisation of agricultural production was advancing fast in the USA. Increasing use was made of mowing, harvesting and threshing machines, and so on; huge traction engines were used to pull ploughs, harrows and rollers; field railway lines were laid; mechanised cattle feeders were employed. From 1860 to 1910 the value of the machinery and agricultural tools multiplied fivefold, while the cultivated area only doubled.

An important event in the history of US agriculture was the creation of a system of elevators. By storing his grain in elevators, the farmer could wait for favourable sales terms. The "warehouse receipt" could be placed in the bank in return for money to cover current expenses.

In the West of the USA, about sixteen states with an area of 1.5 million square miles required constant irrigation. During the period of imperialism, this problem was partially solved: by 1870 the irrigated area was only 20,000 acres, but by 1900 there were already 7.5 million and by 1910—13.7 million irrigated acres.

Lenin provided a profound analysis of the development of US agriculture in his work "New Data on the Laws Governing the Development of Capitalism in Agriculture" (1914-1915). From the 1900 and 1910 censuses, he identified

in the US economy the industrial North, the slave-owning South and the colonised West. In particular, he noted the concentration of the population in the North, where there were eight times as many people as in the West, which was virtually unsettled. The settlement of the West was proceeding rapidly, however, and from 1900 to 1910 the population there increased by 67 per cent, while the increase in the North was 18 per cent and in the South—20 per cent. At the same time, the number of farms in the North remained practically unchanged, in the South it rose by only 18 per cent, but in the Western states it increased by 54 per cent. Homesteads were allocated on such a massive scale here that it was reminiscent of land seizure.

Differences were also observed in the population structure: in 1910 townspeople made up 58.6 per cent of the population in the North, while the respective figures for the South and West were 22.5 and 48.8 per cent. Considering the value of the output of agriculture and industry in different regions, Lenin came to the conclusion that about five-sixths of US industry was concentrated in the North and that it predominated over agriculture there. Meanwhile, the South and West were predominantly agricultural.

When analysing the agriculture of the slave-owning South, Lenin rejected the opinion that the USA was devoid of feudalism and vestiges of it. He stressed that "the economic survivals of *slavery* are not in any way distinguishable from those of feudalism, and in the former slave-owning South of the USA these survivals are still very powerful".<sup>9</sup> Negroes made up 22.6-33.7 per cent of the population in the various Southern states, while the American bourgeoisie, who had "freed" the Negroes, "took good care, under 'free', republican-democratic capitalism, to restore everything possible, and do everything possible and impossible for the most shameless and despicable oppression of the Negroes".<sup>10</sup> Nor was it merely a matter of the Negroes being denied the right to simple literacy, the percentage of illiterates among them being seven times greater than among the white population. The statute labour system remained in the form of share-cropping, so widespread in the Russian countryside of the period after the Reform. Among the white

<sup>9</sup> V. I. Lenin, "New Data on the Laws Governing the Development of Capitalism in Agriculture", *Collected Works*, Vol. 22, p. 24.  
<sup>10</sup> *Ibid.*, pp. 24-25.

farmers, tenant farmers made up 39.2 per cent, while the figure for Negroes was 75.3 per cent. Hence the inevitable conclusion that the typical white farmer owned his own land, while the typical Negro farmer rented it. Also, in the South, out of 1,537 thousand tenant farmers, 1,021 thousand were share-croppers (66 per cent). Moreover, in the North, there were 483 thousand share-croppers. From these figures, Lenin noted with irony that "in 1910, free, republican-democratic America had 1,500,000 share-croppers, of whom more than 1,000,000 were Negroes".<sup>11</sup> He considered it noteworthy that the share of share-croppers was constantly rising: in 1880 it was 17.5 per cent, in 1890—18.4 per cent, in 1900—22.2 per cent, and in 1910—24 per cent.

As in Russia, however, it was the share-cropping regions that were the most stagnant; humiliation and oppression of the working people were most rife there. As Lenin wrote, "for the 'emancipated' Negroes, the American South is a kind of prison where they are hemmed in, isolated and deprived of fresh air."<sup>12</sup>

The difference between these economic regions also told on the structure of land-ownership. In 1910, for instance, Northern latifundia (with a thousand acres or more) constituted only 0.5 per cent of the total number of farms, and they accounted for 6.9 per cent of all the land and 4.1 per cent of the cultivated area. In the South, the share of such farms was also small (0.7 per cent), but here they accounted for 23.9 per cent of all the land (4.8 per cent of the cultivated area). Finally, in the West the number of such farms was as high as 3.9 per cent and their share in land cultivation stood at 48.3 per cent. These farms possessed 32.3 per cent of the cultivated land. Consequently, US agriculture at the beginning of the 20th century was characterised not only by small farms in the Northern states, but also by latifundia in the South and even more extensive ones in the West, consisting partly of the foundations of the extremely extensive livestock-breeding and partly of districts seized by "colonisers" and reserve areas of land resold or (less frequently) rented out to the actual farmers who tamed the Wild West.

The successes scored in US agriculture from 1861 to 1914 were quite considerable, but it would be absurd to picture

<sup>11</sup> V. I. Lenin, "New Data on the Laws Governing the Development of Capitalism in Agriculture", op. cit., p. 25.

<sup>12</sup> Ibid., p. 27.

the USA as a "promised land", a land of "unlimited opportunities" and a farmers' paradise. This paradise all too frequently became a hell, and the farmers' ruin was inevitable. One serious blow was the world agrarian crisis of the 1870s. It showed that, under capitalism, agriculture in the USA does not enjoy any of the notorious "unlimited opportunities".

The United States was also affected by the agrarian crisis at the end of the century, and it was the Eastern states and neighbouring parts of the North Atlantic seaboard states that suffered most. The agriculture in these states could not stand up to the competition from the West. A sharp drop in the production of grain set in. In 1850, the North Atlantic seaboard states produced 31 per cent of the grain and farmers began seeking a way out by developing dairy farming. Refrigerator cars appeared, however, bringing dairy goods in enormous quantities from the West, so the last two decades of the 19th century saw a substantial drop in the head of cattle raised for meat in the Eastern states. At the same time, the production of cheese dropped from 12 to 7 million pounds. From the 1880s, many farmers began going out of business; land prices fell sharply; some farmers moved west, while others joined the ranks of the factory workers.

According to official statistics, from 1870 to 1873 a bushel of wheat cost an average of 1 dollar 6.7 cents, a bushel of maize—43 cents, and a pound of cotton—15.1 cents. Later, prices fell even lower. From 1894 to 1897 a bushel of wheat cost an average of 63.6 cents on the market, of maize—29.7 cents and a pound of cotton—5.8 cents. When the market was particularly flooded the true prices were even lower. Official agencies fixed the price on December 1, but the farmers sold most of their output before this date. In 1894, maize became so cheap that it was more profitable to burn it than send it to the town market.

The agrarian crisis dealt a serious blow to the farms. In 1867, only a thousand bushels of wheat were needed to pay off a 1,450 dollar mortgage, but by 1894 a lot more was required (2,959 bushels). Farms began to be confiscated. In Kansas alone, from 1889 to 1893 eleven thousand farms were confiscated for mortgage arrears. In some areas, bankers took about 90 per cent of the farmers' land.

Only in 1900 did the North Atlantic seaboard states begin to get over the agrarian crisis, through an expansion of dairy farming to provide fresh milk for the towns. In 1909, the



Eastern states sold 925 million gallons of milk. A major role was played by poultry farming, horticulture and market-gardening. At the beginning of the 20th century, abandoned farms began to find people to rent or buy them again.

At the same time, however, the export of agricultural produce from the USA fell sharply. From 1900 to 1914, for example, the export of salted meat fell from 47.3 million pounds to 23.7, of fat from 512.1 million pounds to 184.2 million, and so on. There was, it is true, a rise in the export of tinned and bottled vegetables (from 3.3 million dollars worth to 5.5 million).

Analysing the expropriation of small land-owners, Lenin noted that, from 1900 to 1910, US agriculture increased by 11.2 per cent, the number of farms by 10.9 per cent, of farm-owners in general by 8.1 per cent and the number of full owners of farms by 4.8 per cent. These figures showed a growing expropriation of small farmers, since "the rural population is increasing more slowly than the urban. The number of farmers is increasing more slowly than the rural population; the number of owners is increasing more slowly than the number of farmers; the number of *full* owners—more slowly than the number of owners in general."<sup>13</sup> The share of owners among farmers was regularly falling. In 1880, they made up 74 per cent, but in 1910—only 63 per cent. The share of tenant farmers, and share-croppers in particular, was, however, rising. In 1880, 17.5 per cent of tenant farmers were share-croppers, while the 1910 figure was 24 per cent. As Lenin wrote, in the USA "capital defeated slavery half a century ago, merely to *restore* it now in a new form as share tenancy"<sup>14</sup>

Further, he pointed out that the expropriation of small farmers in the USA was very intensive, since, from 1900 to 1910, there was even an absolute drop in the number of land-owners in the North, even though tens of millions of acres of unsettled land had been handed over to farmers. There were only two factors restraining this tendency of capitalism: the presence of undivided plantations in the South and the unsettled lands of the West. The percentage of mortgaged farms was constantly rising. In 1890, 28.2 per cent were mortgaged; in 1910—33.6 per cent. One intriguing fact was

<sup>13</sup> V. I. Lenin, "New Data on the Laws Governing the Development of Capitalism in Agriculture", op. cit., p. 86.

<sup>14</sup> Ibid., p. 87.

that, in the USA, too, a monopoly of land-ownership arose, though in some regions there was still no private ownership of the land. Moreover, in the USA "capital, instead of eliminating the oppression, exploitation and poverty of the masses, produces these calamities in a new guise and restores their old forms on a 'modern' basis".<sup>15</sup>

The significance of land-ownership increased more and more. Lenin referred to the fact that, from 1900 to 1910, the total value of farms rose by 20.5 billion dollars, but only by 5 billion as a result of an increase in the value of farm buildings, livestock and equipment, while the price of land went up by 15 billion dollars. The share of medium-sized farms fell from 24.8 to 23.8 per cent over the decade, but that of big farms rose from 17.7 to 18.2 per cent. The number of medium-sized farms went up by only 6.6 per cent, while that of big ones by 13.3 per cent. By medium-sized farms we mean ones with 100 to 175 acres. Comparing this data with changes in the structure of industry, Lenin stressed that, in both spheres of the US economy "the proportion of medium establishments is reduced, for their number grows more slowly than that of the small and large enterprises".<sup>16</sup> True, the degree of concentration achieved in farming was much lower, since the number of enterprises was twenty times greater than in industry, with big farms (18 per cent) accounting only for 47 per cent of all farm property.

Thus, Lenin came to the conclusion that in the USA, too, "the expropriation of small-scale agriculture is advancing. In the last few decades, the proportion of owners to the total number of farmers declined steadily, while the growth in the number of farmers lagged behind the population increase. The number of full owners is declining absolutely in the North, the most important section, which yields the largest volume of farm products and has neither any vestiges of slavery nor any extensive homesteading. In the last decade, the proportion of farmers reporting livestock in general decreased; in contrast to the increased proportion of owners reporting dairy cattle there was an even greater increase in the proportion of operators without horses, especially among the small farmers."<sup>17</sup>

<sup>15</sup> Ibid., p. 95.

<sup>16</sup> Ibid., p. 98.

<sup>17</sup> Ibid., p. 102.

As early as 1914-1915, Lenin described as "sheer mockery of the truth" the assertion that, in the USA, the so-called "family labour" constituted the majority of farms. He stressed that America confirmed particularly clearly Marx's idea (set out in Volume III of *Capital*) that "capitalism in agriculture does not depend on the form of land ownership or land tenure",<sup>18</sup> but subordinates them.

In his study "New Data on the Laws Governing the Development of Capitalism in Agriculture" Lenin wrote that the task was to apply Marx's theoretical instructions "to an investigation of the rise of capitalism from the slave-holding economy of the American South",<sup>19</sup> just as the genesis of capitalism was to be studied under the conditions of the decay of the *corvée* system in central Russia.

Lenin resolutely condemned the Russian Narodniks (Populists) ideas concerning the "disintegration of capitalism" in US agriculture. The average size of farms had, it is true, diminished between 1850 and 1910 from 202.6 to 138.1 acres and the area of land worked from 78 to 75.2 acres. It was 1860-1870 that saw most of this change, however, with the size of a medium farm dropping by 46 acres (from 199.2 to 153.3), since, as a result of the Civil War, a decisive blow was delivered to the slave-owning latifundia. The link between these phenomena can easily be traced, since, over these same years, the area of cultivated land on the medium-sized Northern farm even increased, from 68.3 to 69.2 acres, while there was a sharp drop on Southern ones. The slave-owning latifundia were broken up, but it had nothing to do with a "disintegration of capitalism".

The drop itself in the size of a medium farm did not, as Lenin showed, exclude the possibility of capitalism developing in US agriculture. He pointed out that, from 1900 to 1910, the total amount of land "of the latifundia, but only of the latifundia" dropped. The latter lost 30.7 million acres, falling from a total of 197.8 to 167.1 million acres. At the beginning of the 20th century, however, there were still 50,135 farms in the USA with over a thousand acres of land. Their average size was 3,332 acres.

Lenin unmasked the attempts to prove that US agriculture was evolving towards "family labour" as empty phrases, as

<sup>18</sup> V. I. Lenin, "New Data on the Laws Governing the Development of Capitalism in Agriculture", op. cit., p. 22.

<sup>19</sup> Ibid., p. 59.

oratory designed to cover "the confusion of entirely different social forms of economic organisation—a confusion from which the bourgeoisie alone stands to gain",<sup>20</sup> concealing the use of wage labour. He emphasised that "the growth of small-scale agriculture in the South is nothing but the growth of commercial farming",<sup>21</sup> since cotton accounted for 42.7 per cent there, being a purely commercial good. Overall, from 1870 to 1910, cotton output in the USA trebled (from 4 to 12 million bales). There was also a rise in the production of other types of agricultural produce going mainly to the market, with that of wool doubling (from 162 to 321 million pounds), wheat almost trebling (from 236 million to 634 million bushels), and maize, too (from 1,094 to 2,886 million bushels).

Lenin came to the very important conclusion that "acreage is not always an indication, and not by any means a direct indication, that a farm is really big as an economic enterprise, or that it is capitalist in character".<sup>22</sup> That he was correct in this can be seen from the fact that it was precisely in the North, i.e., in the region where small farms were most widespread, that most wage labour was used. Thus, in 1910, wage labour was employed on 55.1 per cent of Northern farms, while in the South the figure was only 36.6 per cent. For this reason, in the USA, too, "family labour" was no more than a myth. Of the 12 million able-bodied people employed in agriculture, 2.5 million were hired labourers (21 per cent). In Germany, in 1907, the percentage of agricultural labourers was higher, but for the reason that, in the USA, unsettled land was handed out free of charge and share-cropping was widespread. Yet the number of agricultural labourers was rising faster than the rural population as a whole. From 1900 to 1910, the latter went up by 11.2 per cent, while the former by 48 per cent. The difference was particularly great in the North, where agriculture increased by only 3.9 per cent, but the number of agricultural workers by 40 per cent.

Showing up the petty-bourgeois misinterpretations of the USA's agricultural development, Lenin wrote that the intensification of farming could not be ignored, since "owing to the technical peculiarities of agriculture, the process of

<sup>20</sup> Ibid., pp. 30-31.

<sup>21</sup> Ibid., p. 31.

<sup>22</sup> Ibid., p. 32.



its intensification frequently leads to a *reduction* in the improved acreage on the farm, and at the same time expands it as an *economic unit*, increasing its *output*, and making it more and more of a *capitalist enterprise*.<sup>23</sup> Not by chance, for example, is it that "in the intensive states farming is obviously much more *commercialised* than in the extensive states"<sup>24</sup>.

At the same time, the drop in acreage was often accompanied by an increase in outlays on artificial fertilisers, so small-scale production in terms of area turned out to be large-scale in terms of capital investment. It is characteristic that, according to the 1910 census, the region with the smallest farms (in acreage) in the USA was that with the biggest investment in farm machinery.

Lenin's general conclusion was that capitalism was developing faster in the states where farming was intensive than in those with extensive economies, and that in the North it assumed more mature forms, since in the Northern states "capitalism is undoubtedly much more developed in the agriculture".<sup>25</sup> In contrast, the region of so-called "wheat factories" proved to be "less capitalist than the industrial and intensively farmed region, where the indication of agricultural progress is not an increase in improved acreage, but an *increase* in capital investments in the land, together with a simultaneous *reduction* of the acreage."<sup>26</sup> Summing up his analysis of the forms of capitalist development in US agriculture, Lenin pointed out that the "major forms of the development of capitalism in agriculture" are "the break-up of the slave-holding latifundia in the South; the growth of large-scale extensive farming operations in the extensive area of the North; the most rapid development of capitalism in the intensive area of the North, where farms are, on the average, the smallest. The facts incontrovertibly prove that in some cases the development of capitalism is indicated by an increase in farm acreage and in others by an increase in the number of farms."<sup>27</sup>

<sup>23</sup> V. I. Lenin, "New Data on the Laws Governing the Development of Capitalism in Agriculture", op. cit., p. 38.

<sup>24</sup> Ibid., p. 41.

<sup>25</sup> Ibid., p. 46.

<sup>26</sup> Ibidem.

<sup>27</sup> Ibid. p. 48.

In spite of the availability of unsettled land, there was a concentration of the land in the hands of big US land-owners, too, as can be seen from the fact that, from 1900 to 1910, "the share of the total acreage held by the latifundia substantially decreased", while "their share of the improved acreage *increased*".<sup>28</sup> In the USA there was also a consolidation of big farms, while small and medium-sized ones lost strength and were pushed out (as a general rule). The statistics showed "a uniform decline in the characteristics of intensive farming from the lower groups to the higher".<sup>29</sup> Very often, it is true, "as large-scale production displaces small-scale production, farm acreage is reduced".<sup>30</sup> At the same time, however, it turns out that "small-scale production is being crowded out by large-scale production through the displacement of farms which are 'larger' in acreage, but are less productive, less intensive and less capitalist, by farms which are 'smaller' in acreage, but are more productive, more intensive, and more capitalist".<sup>31</sup> So, as Lenin stressed, "the broader and more rapid the intensification of agriculture, the more the classification by acreage serves to *give a rosy picture* of the oppressed condition of small-scale production in agriculture, the condition of the small farmer who is short of *both* land *and* capital, the more it serves to *blunt* the real sharpness of the class contradiction between the prospering large-scale producer and the small-scale producer going to the wall; the more it serves to *minimise* the concentration of capital in the hands of big operators and the displacement of the small".<sup>32</sup>

The ruin of farmers and the rapid development of capitalism in agriculture gave rise to sharp class contradictions.

At the end of the 19th century, a broad movement of farmers arose in the USA, supported by the Knights of Labor and United Mine Workers unions, and so on. It was known as the Populist movement (Populists). A Populist Party emerged and, in the Western states, became tremendously popular. The capitalists took fright, seeing the movement as something close to a "wave of socialist revolution" and "an attack on property rights". The farmers' unions joined forces in a broad association. Northern and Southern unions emerged.

<sup>28</sup> Ibid., p. 53.

<sup>29</sup> Ibid., p. 63.

<sup>30</sup> Ibid., p. 76.

<sup>31</sup> Ibid., p. 78.

<sup>32</sup> Ibid., pp. 82-83.

The farmers' demands were, however, quite limited and came down simply to suggestions that the amount of money in circulation be increased, silver coins be issued, easier credit terms be introduced, interest rates reduced, railway tariffs cut and farms granted government credit on the security of the harvest. The idea of nationalising the railways was, it is true, also put forward.

4. *The reasons for the industrial expansion.* Of fundamental importance in the USA's economic history during the age of imperialism was accelerated industrialisation. From the time of the Civil War, industry had been developing very fast, leaving agriculture further and further behind. The USA was undergoing an industrial upsurge and, by the end of the 19th century, it was first in the world in the volume of industrial production. The consequences of this are still felt today. The USA became the chief economic basis of modern capitalism. In the 20th century, the centres of the world economy shifted to US territory. Only the triumph of socialism in Russia and other countries changed the situation, since the rate of economic development in the socialist countries is higher even than in America.

The question inevitably arises as to the reasons for such rapid industrial development in the USA, which seems strange at a time when capitalism is decaying and its contradictions are growing in intensity.

Describing the general course of economic development in the USA, Lenin wrote that the country "is unrivalled either in the rate of development of capitalism at the turn of the century, or in the record level of capitalist development already attained".<sup>33</sup> As a result, it was the USA that became "the model for ... bourgeois civilisation".

The apologists for capitalism still take pride in the USA's industrial success, interpreting it in the most distorted way. They see it as proof that the USA's economic development course is a unique one and that it enjoys unlimited opportunities and reflects the benefits of the American way of life. Moreover, the Americans' "thriftiness, inventiveness and energy", "freedom from all traditions", and ability "to apply new modes of production" and "lend their hand to anything" are all praised.

<sup>33</sup> V. I. Lenin, "New Data on the Laws Governing the Development of Capitalism in Agriculture", op. cit., p. 17.

\* Reason for U.S. ind. expansion = the economic law of uneven development.

Bourgeois historians and economists love to discuss the "specifics of the American people's psychology", asserting that the specific character of the "American manager" has become one of the strongest factors behind the USA's economic development (see: Prof. Hermann Levy, *Die Vereinigten Staaten von Amerika als Wirtschaftsmacht*, Leipzig-Berlin, 1923, p. 13).

\* The last decades of the 19th century saw an industrial expansion not only in the USA; industry was also developing rapidly in Germany, Russia and Japan. As Lenin showed, during the imperialist period, the economic development of the capitalist countries became increasingly uneven, and this economic law was reflected in a sharp increase in industrial production in the USA. The country's industrial advance reflected the laws governing the economy of imperialism, and did not indicate that the American economic system was in any way exclusive. A fierce battle was being waged for world markets, raw materials, sources of manpower and so on. The monopolies aggravated this struggle. Under pressure from German and American competition, for instance, British industry lost its positions. The growth of US industry was thus inevitable, as was the stagnation of that of Britain and France. The industrial centres of the world economy were shifting and the law, characteristic of the age of imperialism, that of the uneven economic development of individual countries, was in operation.

It is also important to note that the industrial advance in the USA relied largely on the economic resources of other countries. Many technical inventions of European origin (British, German, Russian and so on) were applied in the USA. Foreign capital was mobilised on a broad scale.

In 1843, the USA's foreign debt stood at 150 million dollars, in 1860 at 400 million. Then it rose rapidly to reach 1,500 million in 1873, 2,000 million in 1880 and 3,300 million in 1899. Most of the foreign capital was absorbed by railway construction: in 1880, foreign investment in US railways equalled 1,535 million dollars. By the First World War, there were 5 to 7.5 billion dollars worth of US securities in the hands of foreigners—mainly British, whose capital, in 1913, stood at 755 million pounds.

It is understandable that such an intensive inflow of foreign capital speeded up the development of US industry. A considerable time would have been required to accumulate these capitals. Imports of industrial equipment were stimu-



lated. With the help of foreign capital, enormous enterprises were set up on the spot and railways were built on a large scale. Since the USA was an independent and powerful state, the use of foreign capital in no way fettered it, for the country's industrial base was strong enough.

Foreign sources of manpower played an exceptionally important role in the build-up of US industry. Nowhere else has the exploitation of foreign workers ever been organised on such an extensive scale as in the USA. Moreover, immigrants were doing the heaviest jobs. In 1900, for instance, people of foreign extraction made up 44.3 per cent of the miners, and 61.2 per cent, if second-generation immigrants were also counted. In the iron and steel industry, the figures were almost 36 and 63 per cent, respectively.

As traditional slave-traders, American capitalists intended to purchase from the reactionary French government the Paris Communards who had fallen into its hands. Enlightened representatives of the American way of life suggested that Thiers send about 50,000 Communards to America to work in the mines of Arizona.

From 1850 to 1880, there was intensive immigration into the United States, with about 2.5 million people arriving every decade. Later, during the 1880s, the rate of inflow doubled to 5.2 million. The main countries from which the immigrants came were initially Britain, Ireland and Germany, but were then replaced by Austro-Hungary, Russia and Italy. In the 1890s, the inflow of immigrants fell off somewhat, but remained high. From 1890 to 1900, 3.8 million people arrived, with an increasing proportion of the new arrivals settling in the towns of Eastern states. Special companies incorporating big capital and top officials were set up to encourage workers to immigrate. They contracted to provide factory-owners with the manpower they required from Europe.

Over the last forty years of the 19th century, a total of 14 million immigrants arrived in the USA, and many of them settled in cities. Thus, the urban population grew faster than the rural. From 1891 to 1909, 2,004,000 people arrived in the USA from Russia alone.

The massive immigrant influx provided factory- and plant-owners with major economic opportunities. A concentrated manpower market took shape, and this could be used to set up huge enterprises very rapidly.

The population growth took on a spurt. From 1860 to

1900, the US population rose from 31,443,321 to 75,994,575. In 1910, it was already about 92 million. This increase was largely connected with immigration. It is characteristic that the numbers of the indigenous US population were increasing very slowly in the early 20th century. In New England, for instance, there were only 63-65 births a year for every thousand women of child-bearing age, while the corresponding figure for France was 86 and for Germany 145. The urbanisation of the population had something to do with this.

Yet economic resources of foreign origin were not of decisive significance, even though they accounted for a major part of the USA's industrial achievements at the turn of the century. The question naturally arises as to why the immigrants and capital went to the USA, in particular. The answer is evidently that the country possessed favourable conditions for applying them, so the basis for the industrial rise was provided by internal conditions.

Yet there was nothing exclusive about them. Bourgeois sources focus on geographical factors.

The USA's natural resources did, of course, play a very important role. The country's economic successes had a geographical basis: the exceptionally long seaboard, 18,000 miles in length, provided many advantages for the development of navigation, fishing, foreign trade, and so on. About a thousand of the country's cities were situated on waterways to the sea, which put them in a very favourable position.

Of major significance in the US economy were lakes, especially the Great Lakes in the North (Superior, Huron, Michigan, Erie and Ontario), which are interconnected by rivers and small canals. This made it possible to transport ore from the states of Minnesota, Michigan and Wisconsin 1.5 to 2 thousand km to the coal-fields round Pittsburgh.

The territory of the USA was covered with forests, which were felled mercilessly right up to the end of the 19th century. Farmers extended agricultural land at the expense of the forests. The railways were laid on wooden sleepers and timber was used extensively for building purposes.

The USA's mineral wealth was enormous and varied, the only resources lacking being potassium salts and tin. There were rich deposits of coal, oil, iron ore, copper, lead, zinc, phosphates, salt, rock, clay and sulphur.

Yet the natural wealth had been discovered long since and had nothing to do with the specifics of American capital-

MB  
\* / ism. They acquired economic significance only at a given stage in the development of the productive forces, meaning that the basic reasons for the industrial advance were socio-economic in character and should be sought in the US economy's internal resources.

1. The decisive factor was the completion of the revolution of 1861-1865. The Civil War itself provided an impetus to industry by creating a big demand for many goods and sharply raising prices. Liberated Negro slaves could now be exploited in factories. The domestic market grew. Industry's raw material base expanded. The development of capitalism in agriculture created the agrarian preconditions for an industrial advance. Abolition of plantation slavery and the victory of the farming development course of capitalism were important for the country's industry.

2. As a result of the victory of the factory-owners over the plantation-owners, the USA's trade policy became sharply protectionist. Additional customs duties were set on imports during the Civil War and the 1864 protectionist tariff stayed in force for twenty years. In 1883, import duties were reduced, by 5 per cent. Then, in 1890, the McKinley Tariff Act raised the overall tariff rate from 38 to 49.5 per cent. A few years later (in 1894), the victory of the Democrats led to a reduction in protectionism. Under the Wilson Act, duties were cut to an average of 39.9 per cent, and wool, copper and timber were included among the duty-free commodities. By 1897, however, the Republicans forced through the Dingley Act, raising the average import duty to 75 per cent.

These customs barriers protected the home market from foreign competition and allowed the factory-owners to plunder it unhindered. Today, the agents of US imperialists demand that the economically weak countries open up their markets and lift all customs barriers, forgetting that the USA itself built up its industry under the protection of customs barriers.

3. As a result of the planters' defeat, the plunder of the land wealth was more to the advantage of industry and the railways than before. The land and speculation in real estate constituted a major reserve for the country's industrial development.

In the 1850s and 60s, the plunder of the land in the USA by the railway tycoons assumed a massive scale, with Congress taking an active part by allocating 158 million acres to the railway companies over the two decades. Moreover,

individual states allocated over 167 million acres to them. It has been calculated that the land the railway companies received free of charge was worth 335 million dollars, plus money subsidies to a sum of 707 million dollars. As a result, by 1870, about 60 per cent of the cost of laying railways had been covered by the government. The companies robbed the state by presenting falsified accounts. The Crocker Co., for instance, received an average of double its outlays for every mile of the Central Pacific railway it laid. Even the 1862 Homestead Act was used by the capitalists to plunder state-owned land. The friends of congressmen received large plots of land, including their minerals, in exchange for bribes.

The land in other countries, too, was used for setting up large-scale industry (for example in Russia, especially in the Urals), but to a lesser degree.

4. Like Germany and Russia, at the end of the last century the USA took extensive advantage of new construction. During the first half of the 19th century, comparatively few industrial enterprises were built, these being primarily in the textile, meat-packing, and mill industries. Now it was heavy industry that assumed key importance, including new branches (oil, general and electrical engineering, and the chemical industry). Large-scale enterprises had to be built for them. The burden of old equipment was not so great for the USA as for Britain. Huge heavy industry plants were naturally equipped with the most advanced technology, taking advantage of the latest achievements in the development of industrial technology.

5. Even the changes in the structure of world industry proved favourable for the USA. The centre of gravity of capitalist industrialisation shifted increasingly towards heavy industry, and the USA had huge deposits of ores, oil, hard coal, and so on for this purpose. These natural resources now assumed tremendous economic significance. Their time had come and the USA thus acquired a major advantage over many countries. A lack of oil weakened the positions of Britain, France, and Germany. Natural resources were, in general, in very short supply in Italy and Japan. In Russia, their use was hampered by tsarism and the domination of the nobility.

6. The high cost of manpower stimulated invention. The number of patents granted grew rapidly at the end of the 18th century: from 1790 to 1800—276 were granted, from



1840 to 1850—6,480, and from 1890 to 1900—234,956. Certain outstanding inventions were made: the refrigerator car (1868), the telephone (1876), the phonograph (1877), the electric light bulb (1878), linotype (1880), photofilm (1881), alternating current (1892), the cinematograph (1893), the caterpillar tractor (1900), the motor car (1903), and so on. The electric light bulb first appeared in Russia, but the Americans have always been distinguished by an ability to actually innovate, not for biological but economic reasons, of course.

By the beginning of the 20th century, the steam excavator was replacing manual labour in open-cast mines in the USA's ore-bearing regions. To intensify navigation during the summer months, automated loading was organised at special docks. As a result, only a few hours were needed to load 5-10 thousand tonnes of ore on to a ship. In 1900, equipment began to be installed at the harbours on the lower lakes for the automated transfer of ore on to railway platforms, 700 tonnes being shifted in just an hour.

7. An active role was played in the development of US industry by specialisation of plants and workers. This was carried to a higher degree than in other countries. Specialisation in agriculture exerted a certain effect, having taken very deep and early root in the USA.

A clear picture of the minute division of labour in the meat industry is provided by the Chicago slaughterhouses. In one of these, 157 people were engaged, in 1905, in slaughtering (not counting subsidiary operations), fulfilling a total of 78 operations, each strictly allotted to a given worker, so 1,000 head could be processed during the working day of ten hours.

8. The presence of a large and extensive home market did much to orientate US industry on mass production and standardise output, even at the expense of quality. Defects were covered by the increase in production volume.

The beginnings of production standardisation were already to be seen in 1848, and at the Singer sewing-machine factory by 1850. Later, they appeared in the arms industry, and so on. During the second half of the century, many American goods with interchangeable parts appeared on world markets (sewing-machines, typewriters, motors, automatic cash registers, textile and leather machinery). The principle of standardisation was applied even in bridge building.

9. The broad concentration of production, so characteris-

tic of the USA in the age of imperialism, undoubtedly speeded up the development of US industry. Large-scale production emerged, its advantages being obvious. It became possible to reduce production costs. US industry proved more competitive and could turn out vast quantities of cheap goods. A major role was played by joint-stock companies. In terms of concentration, the USA outstripped Britain, France, and Germany, coming second only to Russia. The result was, indeed, the appearance of monopolies, which held back technical progress and intensified parasitism, so the influence of production concentration on industry was contradictory and two-sided.

10. The sweating system of worker exploitation characteristic of US industry assumed exceptional significance. It was a real gold mine to the factory- and plant-owners. Nowhere else did exploitation of the workers go to such extremes as in the USA, as can be seen from the extraordinary rise in labour intensity, 3-5 times higher than in other countries. The increase in labour productivity was achieved by means of the rapacious use of manpower. The US capitalists wrung incomparably more out of the system of wage labour than did businessmen in other countries. The sweating system became characteristic of the American way of life. The volume of output was raised through cruel exploitation of the workers, the results being considerable, and the coal barons and iron and steel tycoons became richer and richer, faster and faster. The harsh laws of capitalism operated unhampered in the USA.

In his introduction to "A Contribution to the Critique of Political Economy", Marx wrote about the United States as "the most modern form of bourgeois society".<sup>34</sup>

5. *The growth of industry.* The intensive growth of industry in the USA during the age of imperialism was manifested in the most diverse ways. Bourgeois historians speak even about an industrial revolution, but there are no real grounds for this. Such a revolution took place in the first half of the 19th century, when the manufactory was replaced by the factory. Now the factory system was extending its dominion. A quantitative growth of production was observed within the framework of old economic forms. The capitalist system pulled the productive forces up to its own level. Monopoly

<sup>34</sup> Karl Marx, *A Contribution to the Critique of Political Economy*, Progress Publishers, Moscow, 1977, p. 210.

capitalism emerged, but organically, without any revolution.

The clearest expression of the industrial rise of the USA was railway construction, which was carried out on a tremendous scale, but some authors exaggerate its role, asserting that the history of the USA at the time comes down to this and only this.

After the Civil War, railway construction outstripped the growth of the manufacturing industry, though this, too, was developing very fast. From 1860 to 1870, the length of railways in the USA increased by 80 per cent. During the 1870s, another 80 per cent increase was observed. Later, railways continued to be laid at an extraordinary rate, though economic crises periodically cut back their construction. By 1900, the USA had about 200,000 miles (300,000 km) of railway line.

The enormous scale of railway construction in the USA was noted by Lenin, when he described the uneven development of the capitalist countries in the age of imperialism. He pointed out that, from 1890 to 1913, the USA's railway network increased by 143 per cent (from 268,000 km to 411,000).<sup>35</sup>

The intensive construction of railways in the USA had much in its favour: the vast territory, abundant freight, the geographical division of labour in agriculture, the concentration of industry in the Eastern states, the colonisation process, cheap building materials (timber), the development of the iron and steel and non-ferrous metal industry, land allotted free of charge, the inflow of foreign capital, the concentration of railway lines, and so on. These opportunities were used extensively by the railway tycoons, who soon became very rich. Railways were built even in places where there were no settlements, in anticipation of subsequent colonisation, though some lines later proved unprofitable and were closed down. The history of railway construction in the USA provides a clear example of capitalist plunder, true piracy, anarchy and extortion. Once they were built, however, the railways had a positive effect on the country's economic development and speeded it up considerably. The markets of the Eastern states became accessible to the farmers in the West. Industrial goods flowed

<sup>35</sup> See: V. I. Lenin, "Imperialism, the Highest Stage of Capitalism", op. cit., p. 274.

from East to West. Internal economic ties became more and more intensive, binding the country and leaving no room for separatism. The railways brought the country economic unity, not only an economic expansion. The growth of the colonial outskirts into a component part of the metropolitan areas was speeded up. The differences in economic structure between East, West and South began to be erased. Industry moved west and south, providing the USA with enormous economic reserves.

Railway construction engendered a tremendous demand for rails, locomotives and carriages, thereby stimulating the development of heavy industry. There was no longer any difficulty in transporting industrial raw materials or finished goods over vast distances. Thus, the construction of the railways not only reflected the industrial expansion; it was also a factor behind it. Industry began to grow on the basis of internal resources. While creating the material preconditions for railway construction, it grew under its impact. The growth of industry was inseparably linked with the increase in investment, capital being the motive force behind its expansion.

In 1859, the fixed capital invested in industry was valued at 1,010 million dollars; in 1869—at 1,695 million; in 1899—at 8,975 million and by 1914 had already reached 22,791 million dollars.

From 1860 to 1900, it was the extractive industries that grew fastest, with investment in them increasing more than twentyfold from 1860 to 1880.

More and more workers were needed for the growing industry, so, in the second half of the 19th century, the number of industrial workers in the USA rose rapidly. In 1850, there were 957,000, but twenty years later already 2,053,000. Over the following two decades, their numbers doubled and, in 1890, stood at 4,251,000. The last decade of the century saw an almost 50 per cent rise in the number of workers, to reach 6,306,000 in 1900 and 6,615,000 by 1909.

It was the working class that bore the entire burden of the construction of railways, factories and plants. By their own labour alone, the workers created the enormous masses of industrial goods in which the capitalists then speculated.

After the Civil War, the number of industrial undertakings in the USA began to rise. In 1850, there were 123,000 of them (including cottage industries and construction



enterprises), in 1870—252,000, in 1890—355,000 and in 1900—512,000.

Their equipment became increasingly powerful: in the manufacturing industry, from 1899 to 1919 engine capacity rose from 10 million h.p. to 29.2 million. This increase in the supply of electricity to industrial enterprises made it possible to raise sharply the volume of output. It is characteristic that, over these years, the number of enterprises increased only from 205,000 to 210,000.

There are very indicative figures on the dynamics of industrial output in the USA. Over the last thirty years of the 19th century the amount of coal produced in the country went up from 29 million tonnes to 214 million, that of oil from 224 million to 2,672 million gallons, of pig iron from 1.6 million to 13.7 million tonnes, of steel from 68,000 to 10,188,000 tonnes, and of copper from 12,000 to 271,000 tonnes. Later, in the early 20th century, industrial output continued to grow rapidly: from 1900 to 1914, the output of cement rose by 406 per cent, that of oil by 317 per cent, of steel by 131 per cent, of copper by 89 per cent, of pig iron by 69 per cent and of coal by 90 per cent. In 1913, 30.8 million tonnes of pig iron and 31.3 million tonnes of steel were smelted, 10.4 billion gallons of oil were extracted and 5.8 million bales of cotton were processed.

In the early 20th century, the broad scale of construction gave rise to an unusual increase in the production of cement: in 1900 it stood at 17.2 million barrels, but by 1913 at 92.2 million.

The construction of oil pipelines was already assuming a vast scale in the early century: in 1907 their total length reached 40,000 miles.

True, the development of technology was accompanied by a drop in the price of industrial goods, but this was more than compensated for by the overall growth of production, so its overall total value increased. Thus, the value of manufacturing output in the USA increased from 1.9 billion dollars in 1860 to 4.2 billion in 1870, and continued to rise.

In 1879, manufacturing output was valued at 5,369 million dollars and, in 1899, at 11,406 million (including cottage industry and construction). Later, in the early 20th century, its value rose rapidly and, in 1909, reached the level of 20,672 million dollars (not including cottage industry or construction). Over the first decade of this century, it went up by 81.2 per cent and, in 1914, reached 24,246 million

dollars, to which must be added the value of the extractive industry's output (mainly coal and iron ore). In 1914, this was valued at 2.11 billion dollars.

In connection with the intensive growth of industry, there was a sharp change in its share in the US economy.

From 1850 to 1860, US agriculture and industry produced output virtually of the same value, but twenty years later (in 1880), the value of industrial output was double that of agriculture and in 1900, it was already three times as high.

Account must, however, be taken of the fact that the monopolies restrained the drop in the prices of industrial goods, while the farmers were unable to do the same for their own output. Moreover, the very protracted agrarian crisis engendered a serious devaluation of agricultural produce, so value indicators do not give an exact idea of the true correlation between agriculture and industry. They do, however, reflect the main trend.

Lenin noted the intensive urbanisation of the population in the USA during the age of imperialism. In 1880, the share of the urban population was 29.5 per cent, in 1890—36.1 per cent, in 1900—40.5 per cent, and in 1910—46.3 per cent. Everywhere the urban population was growing much faster than the rural. From 1900 to 1910, for instance, in the regions of the industrial North, the rural population increased by only 8.9 per cent and the urban by 29.8 per cent; in the slave-owning South, the respective figures were 14.8 and 41.4 per cent, and those for the Western states—49.7 and 89.6 per cent.

In 1910, the numbers employed in US agriculture amounted to 12.6 million people, in industry—10.6 million, in trade—3.6 million, in transport—2.6 million, and in mining—964,000. Many of the industrial population lived, however, in villages, so the urban population numbered only 42.6 million, while the rural—49.3 million.

The structure of industry in the USA in 1914 was very interesting: in terms of the value of output, first place belonged to the food industry, which produced 4.8 billion dollars worth of output and this constituted 19.9 per cent of the country's total industrial output. Next came the textile industry (3.4 billion dollars and 14.1 per cent) and the steel industry (3.2 billion dollars and 13.3 per cent). The value of chemical output was 2 billion dollars, of the wood-working industry's output—1.5 billion dollars and that of the paper industry—1.4 billion.

This means that the structure of US industry was changing in a very contradictory way: the rapid growth of heavy industry was greatly increasing its share but, at the same time, owing to the extensive development of agriculture, related industries retained their significance. The structure of industrial production which had taken shape in the preceding period, proved quite stable.

In the period of imperialism, the factory processing of agricultural produce developed considerably. The output of the livestock-dressing industry was estimated, in 1914, at 1.6 billion dollars. In Chicago, Saint Louis, Kansas City and other towns, huge slaughterhouses were built where the carcasses were carved by mechanical means. Subsidiary enterprises were set up to process the waste. The flour industry was of great significance, producing 877 million dollars worth of output in 1914. The canning industry, a new one at that time, was developing rapidly, especially in California. From 1900 to 1914, the value of its output rose from 157 million to 243 million dollars.

In the second half of the 19th century, major shifts took place in the location of industry, the Mid-west becoming a major industrial centre. In 1850, the centre of industry was in Pennsylvania, but by the end of the century it was 350 km to the West, in Ohio. At the same time, in the 1880s and 90s, the industrial development of the South began, leading to a 250 per cent increase in the value of industrial output in the Southern states. Meanwhile, from 1880 to 1900, the country's total output increased 150 per cent in value.

At the beginning of the 20th century, however, the Eastern states were still of major importance for the manufacturing industry. In 1914, for instance, just four of these states (New York, Massachusetts, New Jersey and Pennsylvania) accounted for 40 per cent of all manufactures (9.6 out of 24.2 billion dollars worth). Manufacturing output was rising rapidly in the states along the North Atlantic seaboard: in 1904 it was valued at 7.2 billion dollars, but by 1914—at 10.4 billion. The centre of the extractive industry shifted, however, to the West and the North Atlantic seaboard states (primarily Pennsylvania) were producing only 29.9 per cent of the total by 1909.

It is interesting that the centre of the livestock-dressing industry was also moving westwards. Initially, it had been based in Chicago, later in Kansas City, then in Saint Louis

and, finally, in Omaha. In 1905, New York received 75 per cent of its meat from the West.

Finally, it should be noted that, following the Civil War, the USA's share of world industrial production began rising rapidly: in 1860, it was 15 per cent and the country was in fourth place, but from 1896 to 1900, it was already 30 per cent and the USA was now in first place. In 1860, the USA accounted for only 9.9 per cent of the hard coal mined and 8.3 per cent of the pig iron smelted. Later, from 1881 to 1890, the figure for coal was 26.2 per cent and from 1911 to 1913—38.4 per cent. Over these years, the USA's share of the smelting of pig iron rose from 26 to 39.6 per cent, in that of steel from 30.9 to 41.8 per cent, and in the processing of cotton from 24.3 to 27.0 per cent.

By 1912, the USA was extracting about 55 million tonnes of iron ore, while the figure for Germany was 32 million, for Britain—13.7 million and for France—18.7 million tonnes. The total world output at the time was 152 million tonnes.

From the end of the 19th century, the USA became the foremost industrial power. The value of its industrial output was already double that of Britain's by the turn of the century; Britain was left behind and lost its role as the "world's factory". This was inevitable, since, from 1859 to 1914, the value of output produced in the USA multiplied eighteenfold. British industry simply could not keep up.

As already noted, however, the rapid growth of industrial production at the turn of the century was not unique to the USA. Industry was growing fast in Germany, Russia and Japan, as well. Later on, even the fastest growth rates of capitalist industrialisation were left far behind by socialist ones. Over a period of a mere forty years, rather than 55, the volume of Soviet industrial output increased 33-fold, clearly demonstrating the economic superiority of socialism over capitalism, including American.

6. *The dictatorship of the monopolies.* In the period under consideration, 1861-1917, there was a fundamental change in the structure of capitalism in the USA, as there was in the other countries of monopoly capitalism.

The domination of monopoly capitalism in the USA was established in the early 20th century, as Lenin brilliantly substantiated in his work *Imperialism, the Highest Stage of Capitalism*. The structural changes in the capitalist economy acquired epoch-making significance; a new period began



in the history of capitalism. The triumph of monopoly capitalism became inevitable in the USA, as well. This was further evidence that the country's development was in no way exclusive. In fact, the USA kept in step with world capitalism and, moreover, the monopolies dominated more fully in this trans-Atlantic republic than anywhere else. The USA became the classic country of trusts and the most developed forms of monopoly capitalism emerged here. The dictatorship of the monopolies was established and was covered with no more than a veneer of various forms of bourgeois democracy. The USA became the homeland of the financial oligarchy, with its thieving policies.

Bourgeois economists often connect the emergence of monopolies with protectionism, the influence of economic crises and the struggle for raw material monopolies and foreign markets, but these factors merely speeded up the genesis of monopoly capitalism. As Lenin showed, this process was based on the development of the productive forces and the concentration of production. Plants and factories became bigger and bigger, thereby paving the way for monopolisation of production. The history of the USA is convincing evidence of this.

As early as the Civil War, the concentration of capital and production gained impetus. Thus, at a later date, describing the situation during the Civil War, one capitalist (Daniel Drew) said that there had been a good fishing in troubled waters at the time. The enormous scale of railway construction and the rapid development of industry intensified the concentration in subsequent years.

During the 1873 crisis and following years, the centralisation of capital accelerated greatly. Taking advantage of the economic chaos and the multiple bankruptcies, Rockefeller ousted over a hundred of his competitors; the biggest banker was now John Pierpont Morgan. Henry Clay Frick seized the entire coal-bearing region of Connelsville. James Jerome Hill, Henry Villard and Edward Henry Harriman all made their fortunes.

The concentration of industrial production in the second half of the 19th century also meant that the number of industrial enterprises in the USA grew more slowly than the value of their output. By 1900, in the cotton industry there were even fewer mills than in 1850. At the same time, there was also a drop in the number of metallurgical works from 1870 to 1900.

At the end of the last century, an intensive concentration of rail production was observed, this being directly linked with the enormous growth of the volume of production. From 1871 to 1880, output increased from 34,000 to 800,000 tonnes, while the number of works rose from only nine to eleven. In 1890, 2 million rails were produced, but mainly in only seven huge works (95.6 per cent).

In the meat-packing industry, by the beginning of the 20th century a Big Six was in control. These firms had no technological secrets, raw material monopoly, or patents, but they did possess huge enterprises and the appearance of competitors was out of the question.

The increase in the number of factories in the manufacturing industry at the beginning of the 20th century lagged greatly behind the increase in the volume of output. From 1899 to 1914, the number of factories in this industry rose from 207,514 to 275,791, while the value of output increased from 11.4 billion dollars to 24.2 billion.

From 1899 to 1909, the number of blast furnaces in the USA dropped from 223 to 208, but the value of their output almost doubled.

The growing concentration of US industry after the Civil War was clearly confirmed by the fact that the average enterprise in any given industry became larger. From 1850 to 1900, for instance, the capitals of metallurgical works in the country increased, on average, by 350 per cent, this being faster than the growth in the number of workers and the value of output.

Lenin noted that, in 1910, just 11 per cent of big enterprises in US industry produced 0.8 per cent of the total industrial output. The share of average-sized enterprises also dropped (those with a volume of production worth 20,000 dollars to 100,000 dollars). From 1900 to 1910, their numbers increased by 18.7 per cent, while those of big enterprises rose by 29.1 per cent. The share of average-sized enterprises dropped from 22.2 to 21.3 per cent, while that of big ones increased from 11.2 to 11.5 per cent.<sup>36</sup>

In 1904, the value of output per industrial enterprise in the USA was 68,433 dollars, while the figure for 1914 was already 87,916 dollars. The share of the biggest plants and factories continued to rise. In 1909, ones producing over a

<sup>36</sup> See: V. I. Lenin, "New Data on the Laws Governing the Development of Capitalism in Agriculture", *op. cit.*, pp. 97-98.

million dollars worth of output accounted for 99 per cent of the output of copper refineries, 99.2 per cent of that of lead refineries, 91 per cent of the rolled stock, 88 per cent of the kerosene, 85.8 per cent of the pig iron and 85.8 per cent of the processed meat. Over 50 per cent of output in agricultural engineering, the motor, chemical, electrical engineering, cotton and wool industries was also provided by enterprises of this size.

All this inevitably prepared the ground for the emergence of monopolies and their dictatorship became characteristic of the American way of life. The monopolies, that emerged at the end of the 19th century still dominate in the US economy today.

A major role was played in their emergence by joint-stock companies, which began to appear shortly after the 1775-1783 revolution. Under its impact, at the end of the 18th century there was a considerable acceleration in the mobilisation of capital. Stock-exchanges grew up. In Philadelphia, such an exchange was set up as early as 1791, and others appeared shortly afterwards in other cities (New York, Boston). At the same time, corporations began to spring up like mushrooms. Over the last decade of the 18th century, 259 various corporation charters were approved. In 1803, their joint-stock capital was worth 48.4 million dollars. Some corporations were set up for industrial purposes. By the start of the 19th century there were eight industrial companies, but the number of banking companies was much higher: 29 were registered before 1800.

During the 19th century, their numbers continued to grow. By combining enormous capitals, the joint-stock companies prepared the ground for the emergence of monopolies. The merger of enterprises and the creation of trusts usually took place, of course, with the help of share issues, the owners of the trusts becoming share-holders. Many joint-stock companies grew so fast that they themselves began to act as monopolies. These companies monopolised a substantial part of certain industries. From the end of the 19th century, the traditional form of joint-stock company acquired new content and different functions.

The joint-stock system developed into a monopoly system. In 1914, 83.2 per cent of the USA's industrial output was produced by joint-stock enterprises, which numbered 78,152 and made up 28.3 per cent of the total number of industrial enterprises.

The active monopolisation of production in the USA began with the railways. There were serious economic reasons for combining them, and the railway tycoons took advantage of this for their own plunderous purposes.

In the late 1850s, the famous Cornelius Vanderbilt already held several railway lines, and this initiated the growth of a railway empire of monopoly capital.

After the Civil War, the USA saw an intensive monopolisation of production. By the end of the 1880s, Jay Gould owned many railway lines, a number of shipping companies, the *New York World* newspaper, and the western telegraph company. He managed to take control of railway companies by speculating in their shares.

The Western Union Telegraph Co., a major concern, was set up back in 1866. Later, so-called pools (or cartels) emerged as the first form of monopolistic association. They shared profits, fixed prices and often distributed orders. The first was the salt pool, which appeared in Michigan in 1868. In 1870, Chicago's railway companies formed a pool for distributing freight. After the 1873 crisis, many such agreements were concluded concerning railway transport. Only dissatisfaction and protests on the part of clients (influential manufacturers and traders) gave rise to the 1887 act, which restricted the monopolists' machinations somewhat.

Organisations of a syndicate type, so characteristic of Germany and Russia, did not become widespread in the USA, but trusts became well entrenched instead and developed into the chief form of monopolistic association in the USA.

Being the offspring of joint-stock companies, trusts were in many ways similar to them. They combined the production process itself, being the most mature form of monopoly capitalism. From the end of the 19th century, the USA became a land of trusts, their might exceeding that of entire countries.

The establishment of trusts usually involved the "super-capitalisation" of its participants' property. Exaggerated prices were paid for the combine's enterprises. Not only the value of the buildings and machinery were paid for, but also the firm's so-called good will (its name, reputation, and ties with customers). The advantages of forming trusts were capitalised in advance. The owners of the enterprises received bonds and share certificates at a fixed percentage, as well as founder's stock bringing in a certain income. Ordinary shares were issued for sale.



The trusts began to emerge in the USA very early on. Various forms of monopolistic association formed virtually simultaneously, but the wide spread of pools undoubtedly prepared the ground for the emergence of trusts. The first of them was created by Rockefeller in 1870—the Standard Oil Company, which was the model for subsequent ones. Soon a cotton oil trust appeared (1884), followed by a linseed oil trust (1885), whiskey', sugar and lead trusts (all three in 1887). Their thieving policies aroused such fierce protests on the part of the population that, in 1890, the government had to sanction the Sherman Anti-Trust Act, which prohibited the monopolisation of trade beyond the boundaries of a single state. Yet this did not halt the growth of trusts in industry.

From 1897 to 1902, the US capitalists worked intensively to knock together monopolistic associations and trusts emerged in all the main industries.

The formation of trusts was accompanied by a fierce struggle between the biggest predators. In the spring of 1900, an economic war broke out in the steel industry, since wire, sheet and pipe-mills, and so on decided to acquire their own sources of raw materials and semi-finished output, while the Carnegie Group, which supplied the latter and owned many iron ore mines, declared its intention to begin producing finished output. All the struggle achieved was the more rapid establishment of the United States Steel Corporation and the unification of the hostile groups into a single trust. It was decided to buy up the Carnegie enterprises for 500 million dollars (in the form of bonds and shares). The resulting trust owned 1,402 million dollars worth of capital and monopolised about 70 per cent of the iron ore mines in the area of the Great Lakes.

This struggle for raw materials boosted the formation of monopolies.

The steel trust was based on a raw material monopoly, but the Rockefeller oil trust relied on a transport one. In 1905, it accounted for only about a sixth of the oil extracted in the USA, but 90 per cent of the oil extracted on old oil-fields and 98 per cent of that from new oil-wells was transported by its pipelines. The trust owned 40,000 miles of pipeline.

The paper trust, which accounted for 80 per cent of the total output of paper, was based on a raw material monopoly: it bought up huge forest tracts and deprived its competitors

of raw materials, while customs barriers prevented imported Canadian timber from replacing it.

The extensive introduction of machinery in production speeded up the creation of monopolies. In the late 1880s, when machinery began to be used on a mass scale in the tobacco industry, the result was a concentration of production and its faster monopolisation. In 1890, a tobacco trust was created and, by 1909, it already accounted for 90 per cent of the industry's output.

One very flexible form of monopolistic association was control societies or holding companies, which appeared in the initial period of the formation of monopolies. The Pennsylvania Railroad Company, being one of this type, was set up as early as 1870. The Bell Telephone Co. was established in 1880. In 1890, the Sherman Act was passed, and holding companies began to be used to get round it. They began to play the decisive role in the monopolisation of industry, transport and banking. In the 1890s, there was a wave of mergers of enterprises, their shares being handed over to holding companies. In 1890, there were eleven such mergers, in 1891—thirteen. In subsequent years, the economic crisis produced chaos and the number of mergers dropped, but at the turn of the century this process assumed enormous scope. From 1898 to 1902, there were 168 mergers and this five-year period was decisive in the genesis of the monopolies. It was at this time that the biggest monopolistic organisations appeared, including the United States Steel Corporation (1901), the Standard Oil Co. in its new form (1899), the Amalgamated Copper Co. (1899), the American Smelting and Refining Co. (1899), and the International Mercantile Marine Company (1902).

In his work *Imperialism, the Highest Stage of Capitalism*, Lenin described General Electric as a sort of "electrical great power", that divided up world markets with the German company AEG. In 1910, the former's turnover stood at 298 million marks and its total workforce was 32,000. Net profits constantly grew to reach 35.4 million marks in 1907 and 45.6 million in 1910.<sup>37</sup>

The 1900 census testified to the existence of 183 industrial concerns, of which 79 corporations were set up only in 1899. The 1902 government commission suggested that the nomi-

<sup>37</sup> V. I. Lenin, "Imperialism, the Highest Stage of Capitalism", op. cit., p. 248.

nal capital of all corporations together amounted to 3.6 billion dollars. It asserted that 75-80 per cent of the production of many types of output in the steel industry was controlled by a single company. In the oil industry, one company accounted for 82 per cent of output, in the sugar industry—for about 90 per cent. The Rockefellers were increasingly monopolising the oil industry, the Havemeyers—the sugar industry, the Dukes—the tobacco industry, the Mellons—the aluminium industry, the Carnegies and Fricks—iron and steel, and the Morgans—the railways and electrical engineering.

In 1903, the production of very many goods of major significance, including asphalt, cotton yarn, lead, electrical goods, bicycles, pane glass, rubber, agricultural equipment, leather, oil, steel, ammunition, many machines (for defence purposes, for instance), matches, tobacco goods, sugar and whiskey, were already under monopoly control. Five thousand factories and plants were controlled by 318 firms, which held 40 per cent of manufacturing capital. Moreover, 26 companies accounted for over 80 per cent of production in the industries corresponding to their specialisation.

In 1900, over two-thirds of the railways were already controlled by big companies, which numbered 48, each of them owning over 1,500 km of railway line. By the beginning of the 20th century, about 40 per cent of the US railway system was under monopoly control (direct or indirect).

This extensive monopolisation embraced the banks, too. It led to the emergence of a financial oligarchy, whose dictatorship became economically and politically decisive in the USA.

During the age of imperialism, rich dynasties of plutocrats were established in the USA and dominated the country's economy (the Healey, Gould, Harriman, Weyerhauser, Guggenheim, Rockefeller, Carnegie, and Morgan families).

In his work, *Imperialism, the Highest Stage of Capitalism*, Lenin showed the intensive monopolisation of the banks and the formation of the financial oligarchy. He stressed that the USA went further than other countries in this respect, too, since not nine (as in Germany) but just two of the biggest US banks held by billionaires (Rockefeller and Morgan) "control a capital of eleven thousand million marks".<sup>38</sup>

Morgan played a very active role in the creation of mono-

<sup>38</sup> V. I. Lenin, "Imperialism, the Highest Stage of Capitalism", op. cit., p. 219.

polies. In 1901 the merger of the Federal Steel Co. and the Carnegie enterprises was achieved under his direction, the result being a true supertrust in the steel industry—the United States Steel Corporation, with a total capital of over 1.3 billion dollars. Together with his partners, Morgan set up supertrusts in agricultural engineering (International Harvester) and the merchant marine (International Mercantile Marine). In the first few years of this century, he already held two-thirds to three-quarters of the hard coal mined and about 30,000 miles of railway line (together with David Hill). He owned monopolies in the electrical engineering industry (General Electric), communications (American Telephone and Telegraph, Western Union), and in urban transport and insurance.

The rapid enrichment of the financial plutocracy is shown clearly by the history of the National City Bank, which was founded in 1842 and, for half a century, possessed only insignificant capital. Even in 1889 it stood at only 18.2 million dollars, but then began to grow, and in 1899 was already 128 million, in 1909—280 million and in 1919—1,039 million dollars. Consequently, over the last decade of the 19th century its capital rose by 600 per cent, and over the first twenty years of the 20th century—by another 700 per cent. From 1914, the bank began to set up foreign branches and at the end of 1919 there were already 74 of them.

The dictatorship of the monopolies established in the USA was manifested in the most diverse ways. The railway tycoon Vanderbilt, who declared "To Hell with the public!", was also responsible for the rapacious economic policy. This motto was later adopted by all the other monopolists.

At the end of the 1860s, the frenzied competition between the railway tycoons assumed brutal forms. Special bandit detachments were hired and they fought fierce battles. J.P. Morgan himself headed such gangs fighting against Jim Fisk's people. It is well-known that one of the railway tycoons, D. Gould, employed cunning, bribery, fraud and embezzlement to accumulate his capital.

John D. Rockefeller, who set up the model of the modern trust, the Standard Oil Co., in 1870 and was merciless towards his competitors, was an unbelievable hypocrite. This former clergyman was deeply convinced that God's specific purpose for him was to make money and that anyone who went against him in this was opposing the will of God. When he swallowed up his competitors, Rockefeller claimed that



"before his God", he was doing right. Meanwhile, his competitors were destroyed not only with the help of low prices, and preferential rates on the railways, but also dynamite.

The emergence of trusts was accompanied by unbridled speculation. In the USA there was no law on the necessity of holding reserve funds, so right from their inception, all the resources of trusts were used to raise dividends on ordinary shares. Unbridled advertising and stock-exchange machinations were used to stimulate their sales. Neither was there any US law specifying which shares might be quoted on the stock-exchange. They could be sold freely even before the end of the economic year when the enterprise's accounts were checked.

Once they had established their domination, the monopolists began to rob their clients and customers. The railway tycoons pursued a particularly rapacious policy: they set arbitrary rates, arousing dissatisfaction among farmers, who even demanded that the railways be nationalised. The arbitrary sway of the railway tycoons infringed on the interests of the broad population, including tradesmen and industrialists. A protest movement arose and, in 1887, legislation was introduced to prohibit railway pools. In 1897 this decision was reaffirmed.

The industrial monopolies dictated a price level beneficial to themselves. Like everywhere else, the creation of monopolies in the USA meant that the prices set brought in superprofits. From 1901 to 1916, the monopolists managed to maintain the price of rails unchanged (28 dollars a tonne). Since production costs had gone down, superprofits naturally resulted.

The capitals of the monopolistic associations grew very rapidly and the dictatorship of the monopolies had an economic effect.

In 1879, the fixed capital of the oil companies that later joined the Rockefeller Standard Oil Company stood at 55 million dollars; when the trust was formed, it rose to 70 million dollars. At the same time, by 1886, net profits had reached 15 million dollars, while in 1879 dividends had been no more than 3.5 million. Later, the wealth of the Rockefeller clique literally snowballed.

The economic domination of the monopolies understandably led to the political dictatorship of the financial oligarchy.

By the end of the 19th century, US presidents themselves

were admitting that the monopolies dictated to the economy. In his message to Congress in 1888, President Grover Cleveland wrote that the corporations, which should have operated within the law and served the people, were rapidly becoming their rulers. Under the dictatorship of the monopolies, the anti-trust legislation was powerless. The Sherman Anti-Trust Act, for instance, remained on paper. In the ten years following its introduction, only 18 cases were brought, and most of these failed. Moreover, such legislation was designed to do one thing, but ended up doing the opposite, being used to suppress the activities of the labour unions. Thus, the dictatorship of the monopolies became even more firmly entrenched. From 1892 to 1896, the government brought ten suits to court on the basis of the Sherman Act, five of these against labour unions.

In 1908, the Sherman Act was used to repress workers—the hatters employed by the Danbury Hatters company. The Federal Court used the Act to fine a group of workers from Connecticut 234,000 dollars for their attempt to boycott a businessman and make him take account of the labour union when hiring workers.

The explanation for all this was that the monopolies held even the government in their hands, and made it serve Big Business. As early as the end of last century, one US millionaire, Frederic Townsend Martin, declared that it did not matter which party was in power and who was President. "We are the rich; we own America," he announced.

The situation became so unbearable that, in 1914, Congress had to pass a new anti-trust act, the Clayton Anti-Trust Act. The courts had interpreted the Sherman Act as being geared only against the trading monopolies, and not affecting the purchase of enterprises, the formation of subsidiaries and holding companies. The trusts grew like mushrooms, easily evading the prescriptions of the 1890 law. The Clayton Act, however, virtually sanctioned their existence and set only certain restrictions on the monopolists' activities. Thus it prohibited the fixing of different prices for different individual categories of purchaser, the acquisition of shares for the purpose of reducing competition, the exchange of directors' posts in competing large-scale enterprises (with capital of over a million dollars), and officials from one bank working in others (with a capital of at least five million dollars). Such restrictions in no way precluded the growth and plunderous activities of monopolies. Changes in the anti-trust

legislation soon ensued. In 1918, an export law was passed, according to which the Sherman Act no longer applied to foreign trade monopolies. In contravention of the Clayton Act, the purchase of the shares of companies engaged exclusively in foreign trade was permitted. The dictatorship of the monopolists was felt everywhere. The Clayton Act did, it is true, contain an article to the effect that labour unions and farmers' associations would not be equated to agreements limiting freedom of trade. This concession to the labour movement was, however, won by many years of hard struggle waged by the working class. The monopolist masters began to fear a further intensification of the class struggle.

The two-party system had become established in the USA long since, but it merely masked the dictatorship of the monopolies. Lenin showed this clearly in his 1912 article entitled "The Results and Significance of the US Presidential Elections". He wrote that the difference between the Republican and Democratic parties was constantly decreasing (after the Civil War of 1861-1865), the struggle being waged primarily around the issue of customs duties which was of no major significance for the broad population. Virtually, "the people have been deceived and diverted from their vital interests by means of spectacular and meaningless *duels* between the two bourgeois parties".<sup>39</sup> Lenin unmasked Roosevelt's promises of progressive reforms, state control over the economy, and so on, pointing out that, in the USA, about a third of the national wealth (40 out of 120 billion dollars) belonged to two trusts—the Rockefellers and Morgans, or was subordinated to them, while the 40,000 families making up these two trusts were the masters of 80 million wage slaves, and that, given the domination of these modern slave-holders, the promises of reform were sheer deceit.<sup>40</sup>

In 1913, Lenin wrote in his article "In Australia" that in America, it is former slave-owners who are called Democrats while in France, the bourgeois enemies of socialism are called radical socialists. So, "in order to understand the real significance of parties, one must examine not their signboards but their class character and the historical conditions of each individual country".<sup>41</sup>

Many newspapers and journals were published in the

<sup>39</sup> V. I. Lenin, "The Results and Significance of the US Presidential Elections", *Collected Works*, Vol. 18, pp. 402-03.

<sup>40</sup> *Ibid.*, p. 404.

<sup>41</sup> V. I. Lenin, "In Australia", *Collected Works*, Vol. 19, p. 216.

USA, but these were owned by the monopolies, and served their dictatorship. Back in 1880, the outstanding New York journalist John Swinton showed up the bourgeois press for what it was worth. Speaking at a banquet, he announced to his fellow journalists that "there is no such thing in America as an 'independent' press", while journalists were mere "intellectual prostitutes".

In all its manifestations, the so-called American way of life was determined by the dictatorship of the monopolies and developed within its narrow confines. The agents of the American monopolies now counter socialism with the slogan "free enterprise", but in the USA itself free enterprise was a thing of the past by the end of the 19th century. Militant Americanism exploits the word "freedom", calling even the homeland of monopoly capitalism the Free World, though it grew up on the basis of plantation slavery.



## THE ECONOMIC AND COLONIAL EXPANSION OF THE USA. WAGE SLAVERY

1. *Economic expansion.* During the age of imperialism, the USA started to expand economically beyond its own frontiers. The monopolists were waging a fierce struggle for the world market, forcing up the rate of export, increasing investment abroad, seizing sources of raw materials all over the world, and enslaving whole countries. The plunder of the resources of North America did not satisfy the appetites of the mighty monopolies. They wanted to rob the entire world, and the base for this was provided by the intensive growth of US industry. It became possible to exploit agrarian countries by means of non-equivalent exchange, so the economic outskirts of US monopoly capitalism expanded enormously. There was an acceleration of the accumulation of capital and enrichment of the bourgeoisie, and the seizure of sources of valuable raw materials in other countries acquired enormous significance. The financial fettering of whole nations made the US monopolists even richer. They set up subsidiaries abroad, thereby obtaining cheap manpower, the exploitation of which brought massive superprofits into their safes.

The USA thus took the imperialist course. The triumph of monopoly capitalism made this inevitable. Economic expansion became the order of the day. US history confirms Lenin's point to the effect that the age of imperialism is characterised by the export of capital and the economic division of the world by the capitalist monopolies.

The growing economic expansion of the USA during the age of imperialism was clearly reflected in the accompanying expansion of the country's foreign trade, the great increase in exports of industrial goods and an intensification of the struggle for markets.

From 1860 to 1914, US exports are considered to have risen 24-fold, while imports only 14-fold. It is important to stress that exports were rising considerably faster than the volume

of industrial production, which means that US industry was working increasingly for export. Also characteristic was the more intensive expansion of exports than imports: the per capita increase in the former was 7-fold, against a trebling of the latter.

From 1860 to the end of the century, there was a fundamental change in the structure of US exports. From 1820 to 1860, the share of raw material exports even rose (from 60 to 68 per cent), but then, by 1900, had fallen sharply (from 68 to 25 per cent). In contrast, the share of finished goods was rising constantly, both in the period from 1820 to 1860 (from 6 to 11 per cent), and over the last forty years of the century (from 11 to 24 per cent). Meanwhile, from 1860 to 1900, there was an even greater increase in the share of exports of finished and semi-finished goods (from 28 to 59 per cent).

In the age of imperialism, the USA's industrial exports grew rapidly. In 1870, 56 million dollars worth of finished goods were exported; from 1890 to 1894—132 million dollars worth, and from 1900 to 1909—already 329 million dollars worth (annual average). Protectionism strengthened the positions of US industry on the home market. By 1896-1900, the USA was already producing 30.1 per cent of world industrial goods exports and, at the beginning of the 20th century, the country's share of these exports rose even higher: in 1913 it stood at 35.8 per cent.

The USA naturally continued exporting huge quantities of agricultural produce, but their share was constantly falling. The monopolies' aggressive tendencies were connected primarily with the export of industrial goods.

From 1860 to 1900, however, the development of the merchant marine lagged greatly behind the construction of railways. The tonnage of coasting vessels only doubled (from 2.5 million to 5 million tonnes), while that of foreign trade vessels even fell (from 2.5 million to 1 million tonnes or less).

The commercial exploitation of agrarian countries was supplemented by the export of capital and their financial enslavement. The export of capital is, of course, an extremely powerful weapon for the economic expansion of the imperialists. It becomes possible to exploit economically backward countries for long periods, which is why Lenin attached so much importance to the export of capital as one of the specifics of the economy of imperialism. The USA was, it is

true, only able to start exporting capital in the wake of Britain and France. In the 19th century, the country was itself an extremely important sphere of foreign investment but, by the beginning of the 20th century, major changes had taken place. Enormous capital accumulated in the hands of the American bourgeoisie, and monopolies and a financial oligarchy took shape. The USA entered the phase of imperialism and began exporting capital on a massive scale. The temporal coincidence of these two phenomena was quite characteristic, as they were closely interconnected.

In 1889, US foreign investment capital stood at 500 million dollars. In the main, it was oriented on the exploitation of the peoples of the American continent: investment in Mexico reached 185 million dollars, in Canada—150 million, Cuba—50 million and in other countries of Latin America—55 million dollars. US capital investment in non-American countries was still negligible (55 million dollars in Europe, 5 million in China and Japan) but, at the beginning of the 20th century, US capital exports started growing rapidly. In 1909, the country's overseas investments reached 2 billion dollars and, in 1913, 2,605 million. In overall US capital investment abroad in 1913, Latin America accounted for 1,300 million dollars (49.9 per cent), Canada for 750 million (28.8 per cent), Europe for 350 million (13.4 per cent), China and Japan for 100 million (3.8 per cent). In mid-1914, such investment already stood at about 3-3.5 billion dollars.

From the time of the war with Spain, the USA began intensively exporting capital. By 1914, private overseas investment had increased more than fivefold, this expansion being boosted by the seizure of Cuba, Guam, the Hawaiian Islands, Samoa and the Philippines.

At the beginning of the 20th century, capital exports were used extensively in order to seize the raw material resources of other states. For example, the Bethlehem Steel Company owned ore deposits in Cuba and Chile, and a shipping company was set up to deliver the ore to the States. Exploitation of Canada and Latin America gave all the wealth of the enormous American continent into the hands of the US monopolists, including Mexican oil, Chilean ores, Canadian timber and wheat, Yukatan hemp, Argentinean meat, Cuban sugar, Brazilian coffee, Puerto Rican tobacco, and so on.

Lenin noted the fierce struggle among the American monopolists for oil and their participation in the "division of the world". The most active in this was the Rockefeller's

## US provoked Russo-Japanese War

trust, which shared the world oil market with the masters of Russian oil (Rothschild and Nobel). In an attempt to seize all oil resources, this trust set up subsidiaries in Holland, to buy up oil-fields in the Dutch Indies (Indonesia).<sup>1</sup>

In the 19th century, the US capitalists robbed the population of the Kuril Islands for decades on end, thereby violating an agreement with the Russians. The rapacious annihilation of marine animals, timber, and so on was characteristic of American firms. By buying up fur pelts, American businessmen made 500, 1,000 or even 2,000 per cent profits.

During the age of imperialism, the monopolists were not satisfied with seizing Alaska; they attempted to take over the wealth of Kamchatka, Chukotka, Yakutia, and Siberia. With the direct support of President Theodore Roosevelt himself, they set up a syndicate for building a Trans-Alaska-Siberia railway line, planning to drive a tunnel beneath the Bering Straits. For a long time, the railway tycoons lobbied for the right to lay a line from the Dezhnev Cape to Irkutsk, demanding the free use, for 90 years, of 120sq km (12 versts each side of the railway line) and free enterprise throughout the area, including in the purchase of land, the sinking of mines, the building of roads and factories and the import of foreign workers. In order to weaken Russia, the American imperialists provoked the Russo-Japanese war. Roosevelt declared that the USA had a vested interest in the Russians and Japanese wiping each other out.

Herbert Hoover, one of the pillars of international reaction, played a major role in the penetration of Russia by American capital. Beginning, in 1909, with speculation in Maikop oil, he set up eleven companies for plundering the oil resources of tsarist Russia. Together with the British millionaire Leslie Urquhart, he established a special society for exploiting the riches of the Urals and Siberia (timber and minerals).

2. *Military aggression.* It was not, however, just a matter of economic expansion. This merely prepared the ground for military aggression and the occupation of whole countries. In the interests of the monopolies, the US government speeded up rearmament, began interfering in the affairs of other countries and worked to annex them. The mass export of industrial goods, the struggle for sales markets and raw ma-

<sup>1</sup> V. I. Lenin, "Imperialism, the Highest Stage of Capitalism", op. cit., p. 249.



terials, and the increase in overseas investment provided the economic justification for the US imperialists' aggression. The necessary pretext was always enthusiastically sought and thought up by the agents of the monopolies. The US imperialists gradually abandoned the struggle for internal colonies in favour of that for foreign ones. By the end of the 19th century, the creation of a colonial empire outside North America was already on the agenda. The country's foreign policy became more and more aggressive. Ideologists of imperialism appeared and put forward the most extensive plans for military aggression and seizure of territory. The USA's industrial supremacy over other countries, including Britain, was put on the balance. The economic decline of Spain and the weakening of its positions in America made it easier for the USA to create a colonial empire. The coal and steel barons and oil tycoons of the USA claimed the colonial legacy of Cortés, Pizarro and Magellan, justifiably considering it an easy catch. The very geographical position of the United States was extremely favourable. The transformation of all America into the private domain of Rockefeller and Morgan became quite realistic. In the Far East promising markets were opening up and the division of China began. The US monopolies did not want to be left out, so they stretched out their tentacles in that direction, too. Not even the Pacific Ocean intimidated the pirates of Wall Street, and the government was under their orders.

Plausible justification was always found for the military aggression. The arguments put forward by the ideologists of imperialism at the end of the 19th century were very interesting and, in many ways, anticipated the flowery and false phraseology of modern imperialists (such as John Foster Dulles).

As early as 1885, the sociologist John Fiske claimed it was for the Anglo-Saxons to rule the world, while pastor Josiah Strong published a book interpreting all world history as no more than the build-up to this. In 1890, the "marine theoretician" Alfred Mahan called on Americans to turn their "eyes outward", while Prof. John Burgess asserted that the Aryan peoples were capable of creating the best political system and should therefore rule over all others. One of his students was President Theodore Roosevelt, a resolute supporter of imperialism, who pushed the USA on to its aggressive course. In 1899, Abbott Lowell declared that expansion was "inherent" in Anglo-Saxons, while Charles Conant justified

this in terms of the export of capital and the struggle against the threat of a social revolution.

A few years before the war with Spain, Senator Henry Lodge declared that, for the sake of the USA's trade supremacy in the Pacific Ocean, the USA should take control of the Hawaiian Islands and maintain its interests in Samoa. In his article, published in July 1891 in the *Forum* magazine, General Thomas Jordan called for the "political incorporation" of Cuba into the United States, in order to create a market for surplus production and capital.

After the Spanish-American War broke out, Senator Albert Beveridge, expressing the wishes of the imperialists, predicted the approach of a time when the USA would fill the oceans with its fleet and build a navy corresponding to its might. He claimed that the USA was destined to rule the world and "civilise" the lower races with coloured skins, for whom the American way of life would be an inspiration and guide.

Justifying the seizure of the Philippines, Beveridge stated on January 9, 1900, that the seizure had been essential, since the American people had been chosen by God to civilise the world. He did not forget to mention, of course, that China's boundless markets were just beyond the Philippines.

US President William McKinley asserted that he had asked God himself for advice (on his knees) about how to act over the Philippines, and that he had received a quite definitive reply. According to the divine recommendation, the White House was to take people of the Philippines under its wing and spread the "boons of civilisation" to them. This pious President therefore decided to occupy the Philippines in order to give them "civilisation and Christianity".

On January 7, 1901, Senator Henry Lodge declared in Congress concerning the occupation of the Philippines: "economic forces which underlie all are carrying us forward to the economic supremacy of the world".

Even before the First World War, the American imperialists were dreaming of world supremacy, but masking their aspirations with ambiguous phrases. In May 1914, the US ambassador in London wrote to President Wilson that when the Americans found it advisable to take over the world, the British would make way for them.

Consequently, seventy years ago, the US imperialists were already using such terms as the racial superiority of the

Anglo-Saxons, the interests of "civilisation and Christianity", age-old economic ties and Wall Street's emancipatory mission.

Today's imperialists have not come up with very much new. They are paying with used coin. It is particularly surprising that US imperialist circles were already at that time acting as liberators, of, for example, Cuba, the Philippines, China, and so on. Everything to be seized was to be "liberated".

Studying the nature of imperialism, Lenin noted the active participation of US monopolists in the economic division of the world and the preparations for its redivision by military means. In 1916, he wrote: "Is not American and other finance capital... in, for example, the international rail syndicate, or in the international mercantile shipping trust, now engaged in *redividing* the world on the basis of a new relation of forces that is being changed by methods *anything but peaceful*?"<sup>2</sup>

Straight after the American Civil War, the country began seeking and seizing everything "in its path". The creation, during the war, of a strong army was of major significance. The USA became a military power and this in itself was a weighty argument, used by aggressive circles in an attempt to take over all North America. Thus, the struggle for Canada gained in intensity. In the summer of 1866, a suggestion was made to Congress that Canada be made part of the USA but, in 1867, in order to paralyse the intrigues of this "good neighbour", the British government granted Canada dominion status, so it remained a British possession.

The US aggressive circles' plots proved more successful in Alaska, which belonged to Russia. It was as hard for Russia, to defend this rich territory as it had once been for Napoleon to maintain the defence of Louisiana. Russia still lacked the resources for making economic use of American possessions. Moreover, US policy was becoming increasingly aggressive, as indicated by the war with Mexico, the attempts to take over Canada and the seizure of Oregon. The tsarist government decided to give up Alaska.

In 1867, the USA appropriated Alaska for the negligible sum of 7.2 million dollars—or only 5 cents per hectare. The rapacious annihilation of marine animals began. The Eskimos and Indians went hungry. The vast territory declined,

<sup>2</sup> V. I. Lenin, "Imperialism, the Highest Stage of Capitalism", op. cit., pp. 273-74.

a revival coming only with the gold fever at the end of the century.

Thus, the USA went beyond its own frontiers for the first time and seized an enormous territory of 590,884 square miles. The Wall Street empire had acquired its own Sicily. Alaska became the first US foreign colony, and the formation of the American empire began. The first stone, of gigantic size, had been laid in its foundations.

Then came the turn of the Hawaiian Islands. The US imperialists went out into the vast spaces of the Pacific, the intention being to turn it into an American lake.

In 1875, the USA forced the Hawaiian king to sign an agreement granting the Americans exclusive privileges. When the agreement was renewed, in 1884, the US government won the right to build a marine base at Pearl Harbour.

Texas experience came in handy for the American imperialists at the end of last century and was used for seizing the Hawaiian Islands. Use was also made of uprisings and crude interference in the course of events. The landing of sailors from the warship *Boston*, the activities of Ambassador Stevenson, the creation of a provisional government under cover of American cannon provide eloquent evidence of this. Two weeks later, in a special proclamation, Stevenson declared the islands a US protectorate. Washington, it is true, delayed in sanctioning this, but on July 7, 1898, it did so. US Congress "legalised" the annexation of the Hawaiian Islands.

The Monroe Doctrine itself now received an imperialist interpretation. In 1898, President McKinley urged Congress to speed up the annexation of the Hawaiian Islands, claiming this to be the USA's divine purpose. The argument was that the USA needed Hawaii even more than California.

It should be noted that the annexation of the Hawaiian Islands was preceded by the investment of 40 million dollars in its sugar industry, so the White House was serving the selfish interests of the sugar-mill owners.

A major stage in the formation of the US colonial empire by means of military aggression was the Spanish-American war of 1898, which clearly marked the beginning of the age of imperialism, and Lenin considered it the watermark before an entire historical period. It was prepared for by a fierce struggle among the imperialists for a redivision of colonies. It meant the end of Spanish colonialism, with the US imperialists replacing the conquistadores, but having a firmer industrial base behind them.



The build-up to the seizure of Cuba covered the entire second half of the 19th century. As early as 1848, President James Polk entrusted the US envoy to Spain with negotiating on the purchase of this island for 100 million dollars. Later, in 1850 and 1851, US agents organised bands in an attempt to "liberate" Cuba by force of arms and make it a US possession. Capital investment in Cuba by the US bourgeoisie continued to grow, to reach 50 million dollars by 1898.

For many years, persistent demands had been made in the USA for Cuba to be taken over, the planters of the South having a particular interest in this. The so-called Ostende Manifesto of 1854, compiled by US diplomats, made this demand official.

The instigators of the world's first ever imperialist war were aggressive US circles. The history of the 1898 war gives a good idea of this. For a long time preparations were made for the war by the publication of material on the "oppressed Cubans", just waiting to be protected. As the pretext for open intervention, use was made of an explosion on the US battleship *Maine* (on February 15, 1898) while in port at Havana. The Spaniards were blamed for the explosion and a war promising easy victories for the American imperialists was unleashed. Being militarily weak, Spain could not defend its possessions in the distant West Indies. According to the agreement of February 6, 1899, the imperialists of the USA seized not only Cuba, but also Guam, Puerto Rico and even the Philippines. None of this had anything to do with "defending the Cubans". Difficulties did arise, it is true, since the Congress resolution of April 19, 1898 guaranteed the Cubans the "right to freedom and independence", but this did not stop the Americans forcing US "dominion, jurisdiction and control" over them, under the treaty with Cuba.

As a result of the war with Spain, the US imperialists seized about 120,000 square miles with a large population and rich natural resources. Cuba became a US protectorate, and capital flowed into it. In 1898, US capital investment in Cuba amounted to 50 million dollars, but by 1906—already to 159 million.

The seizure of the Philippines was a particularly shameful incident in the history of American imperialism. Initially, the American aggressors took advantage of an uprising of the Filipinos against Spanish domination and pretended to be friends of the insurgents, who were headed by Emilio Agui-

naldo. The struggle that began in the spring of 1898 was already over by June 18, when a republic was proclaimed. The American "friends of freedom" soon revealed their true colours, however, and, on September 8 of that year, General Elwell Otis issued an ultimatum that the insurgents clear out of Manila. On January 5, 1899, US President McKinley demanded that the "military rule" be extended to the whole of the Philippines: thus the war in the Philippines began. The 300-year Spanish yoke was replaced by an American one. It is interesting that the rapacious seizure of the Philippines, too, was disguised by their purchase from Spain for 20 million dollars.

It has been established that the question of seizing the Philippines was discussed by McKinley as early as September 1897, i.e., six months before the war with Spain began. The aggressors did, it is true, encounter resolute resistance, and an increase of the expedition corps from 10 to 70 thousand was required. The war lasted four years and was accompanied by extreme cruelty. Prisoners were mercilessly tortured and General James Smith ordered that everyone falling into American hands should be executed. Hundreds of thousands of Filipinos died.

When organising the reprisals against the Filipino partisans, General Smith told his subordinates: "I want no prisoners... I wish you to kill and burn...." He directed that whole regions be converted into a "howling wilderness" and that all males over the age of ten be put to death.

On December 2, 1899, the governments of the USA, Britain, and Germany signed the Tripartite Treaty on the division of the Samoa islands. The US imperialists received the island of Tutuila with the port of Pago Pago and other small islands of the Samoa group lying to the east of 171° West.

The US imperialists reached out more and more for the markets of China, the intention being to exploit the Chinese people. Today they are pretending to be China's friends, but history cries out at such hypocrisy.

Discrimination against the Chinese had long since been characteristic of US imperialist policy. The 1868 Treaty permitted the unrestricted immigration of Chinese, but they soon began to be persecuted and suffer pogroms. By 1879, Congress had prohibited more than fifteen Chinese immigrants from each ship. In 1882, Chinese immigration was stopped altogether for ten years, and it was later prohibited for another twenty. The 1894 Treaty confirmed this ban for the

next ten years. After a boycott was introduced in China on American goods in 1904-1905, in 1907-1908 the Americans sent a military squadron to intimidate the Chinese.

In an attempt to rehabilitate the imperialists of Wall Street, their agents refer constantly to the notorious "open doors" policy that concealed US aggression in relation to China. This policy was not, of course, of American origin. Back in the autumn of 1898, the British press had extensively advertised the policy of "equal opportunity and open doors", believing it to be completely compatible with colonial plunder and the policy of dividing up China. Even the true author of the note on "open doors" was the Englishman Alfred Hippley, not the American John Hay. The geographical advantage was on the side of the Japanese imperialists. Moreover, at the end of the 19th century, the USA was militarily weak and tried to use its economic supremacy over Japan and other countries to fetter China. Thus, on September 6, 1899, Secretary of State John Hay put forward a programme for a policy of "open doors" in China, under which equal customs duties would be levied, as well as shipping and rail tariffs, for goods from all states on the territory of their "spheres of interest" and rent. The note admitted, however, the existence of "spheres of interest", i.e., the virtual division of China. It was a matter of making these spheres accessible to the American imperialists. By 1900, the USA had already moved its forces against Peking to put down the broad anti-imperialist movement.

On July 3, 1900, in a special note the US government demanded an extension of the "open doors" principle to the whole of China. In 1901, it participated in the plunder of China, by signing the so-called Final Protocol and receiving 32.9 million liangs of contribution. Later the financial fettering of China continued. On April 15, 1911, the USA, Britain, France and Germany imposed the Tsin Treaty on China, thereby obtaining extensive capital investment rights. The Treaty provided for the participation of American capital in the construction and exploitation of railways, the implementation of a monetary reform, the consolidation of China's finances, the development of industry in Manchuria, and so on. When, on June 18, 1912, Yuan Shihkai came to power, a Banking Consortium of six powers was set up under the guidance of American imperialists and an agreement signed on a Reorganisation Loan. Under its terms, the use of the loan was under foreign control; a foreign administration

was set up to collect the salt tax (as security for the loan), and China lost its right to ask other banks for loans.

Thus, US aggression against China began long before the appearance of Communists there, and the occupation of Taiwan is now merely concealed by anti-communist verbiage. It is a matter of setting up a Wall Street colonial empire after a century of struggle.

Similarly, the occupation of South Korea by the USA is described today as an act defending the Free World from communism, but in fact it was merely the concluding episode in an ancient struggle to enslave the Korean people, which began in the 19th century. In 1871, the US envoy to Peking set out at the head of a military squadron for Korea, to "acquire trading privileges". The Americans killed 250 Koreans, but were rebuffed. When, in 1876, Japanese aggressors penetrated into Korea, American capitalists appeared immediately in their wake.

With the intention of turning the entire American continent into their own personal estate, US imperialists used the Monroe Doctrine and Pan-American phraseology to disguise their true purposes.

In 1889, the US government called, in Washington, the First International American Conference with the participation of 17 Latin American countries. It attempted to impose a customs union on the participants, but this really meant interference in their internal affairs and sanction of US dominion over the entire American continent. Eighteen months later, the US government began to interfere in Chile's internal affairs. In January 1892, Secretary of State James Blaine began issuing ultimatums to the Chilean government.

The economic and strategic positions of the US imperialists on the American continent and in the Pacific were greatly strengthened by the building of the Panama Canal, which was a classic example of the use of Texan methods in the US imperialists' strategy and tactics, only brought by the monopolies into the international arena.

The building of the canal was begun by a French company, but its officials were caught embezzling, so they could not finish the job. There was a scandal and the very word Panama acquired the derogatory sense of a swindle. The US government decided to take up this profitable and important business but the British imperialists opposed this.

The negotiations between the USA and Britain on the construction of the Panama Canal went on for four years and



were concluded only in 1901. Britain backed down and recognised the USA's right to build the canal. Then new obstacles appeared, with Columbia delaying in signing the necessary agreement. Afterwards, for a sum of 100,000 dollars, US agents bribed 500 Columbian soldiers and officers, and purchased the services of a certain number of mercenaries. On November 2, 1903, the port of Colon on the Panama isthmus received the US battleship *Nashville*, and the next day there was an "uprising" in Panama against the Columbian government. When the Columbian troops arrived, US marines prevented them from landing. On November 4, the Republic of Panama was proclaimed and two days later it was recognised by the US government. President Theodore Roosevelt later asserted that US ruling circles had acted on the basis of the "mandate of civilisation", but this mandate proved a very elastic concept as interpreted by the imperialists.

The great economic significance of the Panama Canal is shown by the fact that the sea-route from New York to San Francisco was cut by 8,000 miles. The number of ships passing through the canal rapidly grew and, by 1915, the tonnage exceeded 5.4 million tonnes.

The strategic significance of the canal was even greater. It cut America in two and put both parts into the hands of the US monopolists. Interaction between the Atlantic and Pacific fleets of the United States became possible, and these held the American continent by its throat, so the Wall Street monopolists became the masters of Central and South America. The Pan-American demagoguery and the loud talk around the good-neighbourly policy merely masked the creation of an American colonial empire. The slogan of "America for the Americans" was virtually replaced by that of "America for Wall Street".

The results of the colonial plunder were very substantial. Over the second half of the 19th century, the USA's seizures of foreign territory gave it 716,666 square miles of economic value (Alaska, the Hawaiian Islands, Cuba, Puerto Rico, Guam and the Philippines).

Analysing the Great Powers' colonial possessions, Lenin noted the existence of US ones: in 1914, the population of US colonies numbered 9.7 million.

The colonial possessions of the USA, Germany and Japan roughly coincided in scale, but Britain, France and Russia had greater territories at their disposal. This was because the US imperialists had spent too long plundering their

internal colonies in the Wild West, which still existed at the beginning of the 20th century. Moreover, no actual occupation of Central and South America was needed, for the US monopolies already dominated there, relying on their industrial base, through the export of capital, so that Latin American countries were economically dependent on them. The exploitation of these countries was guaranteed by the mighty US Navy, which covered the approaches to America. A unique sort of colonialism emerged, one that is characteristic of Latin America to this day. The economic exploitation of its peoples takes place without any foreign occupation, with the US imperialists using secret agents, puppet governments and dictators for this purpose. This system was invented by the British imperialists in their own dominions, which acquired purely formal political independence, but remained agrarian outskirts of the British Empire. Something similar was observed on the American "estate" belonging to Wall Street.

Consequently, by the time of the 1914 war, the US colonial empire was substantially greater than the country's foreign possessions. This empire existed in fact and the USA took an active part in the struggle for the redivision of the world and also prepared the ground for the world-wide catastrophe of 1914-1918.

3. *Wage slavery.* The latest demagoguery used by those who speak for the bourgeoisie, such as Earl Browder, on "people's capitalism" in the USA and its exclusive development course, is rejected decisively by actual historical events. As in all other countries, capitalism in the USA was a system of wage slavery from the day it emerged. It also fed on the vital juices of plantation slavery. The influence exerted by this slavery on American capitalism was very strong. The manufacturers learned a lot from the plantation-owners and transferred the brutal regimes of the slave latifundia to their enterprises. It is not surprising that the most cruel system of worker exploitation arose precisely in America, where the sweating system became most widespread. This system is that of the rapacious use of manpower, characteristic of slave plantations.

Discrimination against the Negroes became, as a variety of wage slavery, a characteristic feature of the American way of life. This discrimination continued after the Civil War, the economic basis for it being provided by the survivals of slavery and colonialism.

The Southern states, which supplied cheap raw materials, manpower, etc., were internal colonies of the USA in the second half of the 19th century, too. In 1880, the average wage in the manufacturing industry on the Pacific seaboard was 482 dollars, while that in New England was 350 dollars, and in the Southern states—238 dollars a year. The average for the whole country was 340 dollars, which means that the wages in the South were roughly 30 per cent below average.

In 1890, the Negroes were engaged mainly in working the land or were "in service" (85 per cent of the men and 96 per cent of the women). Negroes very rarely did skilled jobs. They were literally terrorised.

An active role was played in their terrorisation in the South by the Ku Klux Klan. During 1871 alone, in just the single state of Kentucky, a hundred Negroes were murdered. The cruel Lynch courts were a daily threat to them. It has been established that, from 1889 to 1901, 1,955 lynchings took place in the South of the USA.

From 1898 to 1910, laws were passed in a number of states (Louisiana, Alabama, North Carolina, Virginia, Georgia and Oklahoma) depriving millions of Negroes of the right to vote. In eight Southern states, a voting tax was introduced, and many people were unable to pay it. As a result, 10 million Americans lost their franchise, simply because their skin was too dark or they could not pay the voting tax.

In his article "Russians and Negroes", Lenin wrote in 1913, half a century after the emancipation of the Negroes, that 44.5 per cent of them were still illiterate, since "the position of the Negroes in America *in general* is one unworthy of a civilised country—capitalism *cannot* give either *complete* emancipation or even complete equality".<sup>3</sup>

The sweating system had arisen even during the previous period, but now it became extremely widespread and was further refined. The appearance of monopolies favoured this, for the trusts set up huge factories and plants in which the rapacious exploitation of the workers was put on a "scientific basis". For this purpose, use was made of conveyers, the so-called scientific organisation of labour, and so on. After 1860, any further extension of the working day became impossible. The workers demanded a cut in the number of hours worked, so intensification of labour became characteri-

<sup>3</sup> V. I. Lenin, "Russians and Negroes", *Collected Works*, Vol. 18, p. 544.

stic of US monopoly capitalism. By stepping up the exploitation of the workers, an increase in output was achieved even if the working day remained the same length or was shortened. In 1860, about 1.9 man-days were required to produce a tonne of pig iron, but in 1878 the figure was only 1.2 man-days. From 1890 to 1897, labour productivity in the manufacturing industry rose by 12 per cent, in the coal industry by 20 per cent and in railway transport by 13 per cent. Labour intensity was taken to the extreme by the most cunning methods.

Studies for 1908 have revealed that, in electric bulb factories, individual workers were paid an additional 5 cents an hour to set the "rate" for the work of the whole group. When the goal was achieved and the whole group began working more intensively, these bonuses were stopped.

In 1913, Lenin wrote, unmasking Taylorism, that American capitalism used advanced methods, that "make old Europe emulate the Yankees"<sup>4</sup>, and adopt the latest ways invented by them for exploiting the worker. The Taylor system is called scientific, but in fact it comes down to the organised wringing of sweat out of the worker, as a result of which the capitalists exhaust all his strength mercilessly, "are three times faster in sucking out every drop of the wage slave's nervous and physical energy. And if he dies young? Well, there are many others waiting at the gate!" Thus, "in capitalist society, progress in science and technology means progress in the art of sweating".<sup>5</sup> It is not surprising that the bourgeoisie praise Taylor as they see their profits growing. After all, as Lenin pointed out, "the workers get a wage increase at first. But hundreds of workers get the sack. Those who are left have to work four times more intensively, doing a back-breaking job. When he has been drained of all his strength, the worker will be kicked out. Only young and sturdy workers are taken on."

"It is sweating in strict accordance with all the precepts of science."<sup>6</sup>

In his article "The Taylor System—Man's Enslavement by the Machine" (1914), Lenin wrote that, with the help of this system, "capital organises and rationalises labour within the factory for the purpose of increasing the exploitation of

<sup>4</sup> V. I. Lenin, "A 'Scientific' System of Sweating", *Collected Works*, Vol. 18, p. 594.

<sup>5</sup> *Ibidem*.

<sup>6</sup> *Ibid.*, p. 595.



the workers and increasing profit. In social production as a whole, however, chaos continues to reign and grow, leading to crises when the accumulated wealth cannot find purchasers, and millions of workers starve because they are unable to find employment."<sup>7</sup>

The work pace in US factories and plants gained more and more speed. It eventually reached such a level that accidents were inevitable, but this did not alarm the factory and plant-owners. They preferred to economise on everything, ignoring the possibility of the workers dying. The rapaciousness of American capitalism is clearly described in one statement by a mine-owner in the 1880s. He said cynically that, from his point of view, "it is better for them to kill two workers than one mule".

"Accidents" in the coal industry were often real catastrophes. On September 6, 1869, 179 people died in a fire which broke in the mine in Avondale (Pennsylvania). In one US county alone, over seven years 566 miners died, 1,655 were seriously injured, and in 1871 alone 112 died and 339 were crippled.

From 1878 to 1885, 2.8 out of every thousand men working in coal mines died every year, and from 1885 to 1897—2.7. Only after the 1869 catastrophe in Pennsylvania was a law on mine inspection passed.

Yet one disaster followed another in subsequent years, too, as the fatality figures show: 69 miners died in Illinois in 1883, 59 in a Colorado mine in 1884, and 109 in Pennsylvania in 1891.

The accident figures continued to rise. Injuries became commonplace in very many US industries. During 1914, for instance, according to the official figures, about 35,000 workers died in US industry, half of whom could have been saved by special safety measures. About 700,000 people were crippled every year.

Under wage slavery conditions, the exploitation of children was a daily occurrence. Child labour was used even in mines. In 1875, about 22,000 miners working in one county alone included 5,500 boys between the ages of 7 and 16. They received miserly wages for sorting the coal from shale (3 dollars a week), and were joined in this by the elderly and disabled.

<sup>7</sup> V. I. Lenin, "The Taylor System—Man's Enslavement by the Machine", *Collected Works*, Vol. 20, 1977, p. 153.

From 1870 to 1900, the share of child labour in the manufacturing industry did, indeed, drop somewhat. Children up to the age of 16 constituted 5.6 per cent of the workers in this industry in 1870, 6.7 per cent in 1880, but 3.2 per cent in 1900. These figures took no account of 16- to 18-year-olds, however; moreover, many children employed in small enterprises were not counted as workers, so they were not covered by the census. Immigration had an effect in the decrease of the share of child labour, because it provided manufacturers with primarily adult workers. In a number of industries, child labour was also ousted due to the growing complexity of production.

Even so, the exploitation of children continued and was organised on a broad scale.

In 1900, in the USA there were about 2 million children working for miserly wages: in the clothing industry children were paid less than 2 dollars a week, and in the glass and silk industries—less than 3 dollars.

Wage slavery was applied to women, too. Although, from 1860 to 1900, the share of women in the workforces of the manufacturing industry dropped somewhat (from 20.7 per cent to 19.4 per cent), it remained substantial, especially in some industries. In textile mills, for instance, in 1860 it stood at 53.4 per cent, and in 1900 at 40.6 per cent; in clothing enterprises at 45.0 and 55.9 per cent respectively, in the printing industry at 27.3 and 24.8 per cent. In a number of industries, the share of female labour even rose, including from 13.9 to 37.5 per cent in the tobacco industry, from 4.7 to 14.1 per cent in the chemical industry, from 5.3 to 13.7 per cent in non-ferrous metallurgy, and from 4.0 to 20.8 per cent in the food industry. There was a particularly great increase in the number of women (almost 100-fold) working in offices, as saleswomen, on cash registers, as shorthand typists, and book-keepers. In 1900 they numbered 400,000.

In 1914 women earned an average of six dollars a week in clothing, glass and textile enterprises. They constituted over 20 per cent of the country's total workforce.

The cruel exploitation of child and female labour multiplied the US manufacturers' profits.

The true outcasts of American capitalism were the immigrants, who were exploited in the USA in the most overt way. The rapacious laws of wage slavery were their lot.

Over the 1880s, 5, 246, 613 immigrants arrived in the USA.

This inflow was used by factories and plants to step up the exploitation of the workers, put down strikes and trade union activities. Workers were brought in in vast numbers to do the hardest jobs (in the mines) on contract. Until the costs of their transportation, food and so on were reimbursed, such workers were paid very little. In May 1884, the press noted that thousands of Hungarians had been brought into Connel-  
lsville—the coal-bearing region of Pennsylvania, to work for Frick under very difficult conditions. During the miners' strike in Hocking Valley and in Ohio, Italians working on contract were sent by one firm as strikebreakers. They agreed to work for only 50 cents a day. The labour unions put in a strong protest and, in 1885, Congress banned the practice of bringing in contract workers, yet in fact it continued.

It was as if the time of forced labour in the 17th to 18th centuries had returned, only in a more refined way.

According to the immigration commission, in 1910 one widespread system was that of peonage and forced labour, under which the immigrants could not leave their jobs even when they received pauper's wages and suffered actual cruelty.

As early as 1914, the US immigration commission admitted that immigrants and Negroes usually received only half the wages earned by indigenous white American workers; the situation had not changed much later than that date.

In his book, *Imperialism, the Highest Stage of Capitalism*, Lenin pointed out that immigrants from Eastern and Southern Europe were forced to accept lower-paid jobs, while American workers more often became foremen and received better wages.

The well-being of workers in America was no more than a myth: under wage slavery, most of the workers were doomed to poverty; the economic condition of the workers remained difficult and even deteriorated.

In US industry, the working day was still very long in the second half of the 19th century, averaging 11 hours in 1860, and 10 hours and forty-five minutes in 1870. Later it was reduced somewhat, but from 1880 to 1890 it was still almost 10 hours long. The normal working week, on average for all industry, was 57.7 hours in 1897, but in many branches it was even longer. In the early 1880s, New York bakers worked a 112-hour working week, New Jersey clothing industry workers—93 hours, Tennessee puddlers—75 hours, Pennsyl-

vania and other blast furnacemen—84 hours, carders in South Carolina—76 hours, Missouri cobblers—78 hours, Kansas urban transport conductors—102 hours, and steam-engine drivers in New Jersey—81 hours. There were considerable differences in the working conditions for organised and non-organised workers. In the manufacturing industry, for example, the normal working week for the former was 54.4 hours in 1890, while for the latter it was 62.2 hours.

The shortage of manpower did, it is true, have a favourable impact on the wage level, which was somewhat higher in the USA than in other countries.

In his report entitled "Wages, Price and Profit", read on June 20 and 27, 1865 (at a meeting of the General Council of the International Working Men's Association), Marx noted that, in colonised countries, "the law of supply and demand favours the working man",<sup>8</sup> this explaining the high wage level in the USA.

The inflow of immigrants, machine production and unemployment during the crises did more and more, however, to neutralise the impact of the colonisation conditions. The demand and supply for manpower evened out and the American workers lost their advantages.

From 1860 to 1869, money wages in the USA rose by more than 60 per cent, then from 1873 to 1879 they fell by 20 per cent and by 1888 again rose by almost 20 per cent. The data refer to transport, manufacturing and mining, and construction; the wage fluctuations were uneven in these industries, too.

Account should, however, be taken of the fact that, from 1860 to 1865, the cost of living rose by roughly 50 per cent, then began to drop and, in 1879, was 30 per cent lower than in 1865. The last thirty years of the 19th century saw very little change in it.

Thus, in the 1860s, real wages were at the same level as in the 1820s and 30s, despite the rise in the nominal rate.

Differences in wages from one industry to another were quite considerable. Textile workers, for instance, were paid far less than iron and steel workers. Women's wages fluctuated more from year to year than did those of men.

By the end of the century, real wages in the USA were almost 20 per cent higher than in the best years of the century—

<sup>8</sup> Karl Marx, "Wages, Price and Profit", in: Karl Marx and Frederick Engels, *Selected Works* in three volumes, Vol. Two, Progress Publishers, Moscow, 1976, p. 73.



the 1840s to 60s. This period did, however, saw a considerable increase in the intensity of labour and the workers' condition even deteriorated. There was also a rise in the number of accidents, which went up by the year. Living conditions also deteriorated. Moreover, the cost of living indices took no account of the workers' transport fares, labour union dues, and losses from strikes. So the rise in real wages was actually much less. Account should also be taken of the fact that the increase in them did not affect all workers. In the USA, Negroes and agricultural labourers were harshly exploited. Finally, the country's capitalists cruelly exploited many workers in other countries, where colonial regimes were established. Considering all these factors, it may be asserted that, overall, the condition of the enormous army of the wage slaves of American capital deteriorated during the second half of the 19th century, and a similar picture was observed at the beginning of the 20th century.

From 1890 to 1914, the nominal wages of US workers rose, in unionised industries from 17.57 to 23.98 dollars and for non-organised workers (usually unskilled) from 8.82 to 11.52 dollars a week. Yet, in 1914, real wages were lower than in the 1890s, the rise in the cost of living having been even greater.

Mass unemployment became a real scourge for the workers under the conditions of wage slavery, which doomed them to hunger, homelessness, and physical extinction. Wage slavery proved more cruel for people than serfdom and even ancient slavery had been. Unemployment reached particularly massive proportions during economic crises, which were becoming more and more frequent. They occurred periodically, in 1866, 1873, 1882, 1890, 1900 and 1907. The 1866 crisis, for instance, affected the ship-building industry particularly and gave rise to a protracted cut in production. The 1873 crisis was even deeper, especially in heavy industry and railway construction. The curtailment of railway construction lasted four years, that in steel production—3 years, the processing of cotton—2 years and ship-building—6 years. The 1882 crisis brought a sharp cut in railway construction and the volume of production in the key industries. The output of steam locomotives, for instance, fell to a third or a quarter, and that of rails by 40 per cent. The later crisis of 1890-1893 was the most destructive in the USA of all those in the 19th century. Over a period of only 6 months, about 8,000 banks went bankrupt and 400 closed down.

In 1891 the production of rails fell off by 32 per cent, railway construction by 25 per cent, and pig-iron output by 10 per cent. In June 1894, the output of pig iron was less than half the December 1891 output level. The triumph of monopoly capitalism aggravated the economic crises even more. The monopolies countered any fall in prices, thereby extending the crises, so the 1900-1903 crisis proved extremely destructive in the USA.

Each crisis meant the economic bankruptcy of capitalism, even if only temporary. The incurable ulcers of the wage slavery system were shown up, along with its true nature. The freedom of the workers was revealed to be pure fiction, and it was clearly shown that they could survive only if subjected to exploitation, otherwise they were completely superfluous and might die of hunger.

When, on September 18, 1873, an economic crisis set in the USA, a broad onslaught was made on the positions of the working class. By 1877 the number of the fully unemployed reached 3 million. At the same time, 40 per cent of workers were employed only 6-7 months in the year. Only 20 per cent had steady jobs. Yet the workers' wages were 45 per cent lower and were often little more than a dollar a day. Black lists, lockouts, and accusations of conspiracy began to be used against the labour unions. Many workers had to sign "yellow dog contracts" under which they were not allowed to join a labour union. By the beginning of the crisis, there were 30 labour unions in the USA, but by 1877 only 8-9 remained. Some unions went underground and existed as secret societies. A clear example is the Knights of Labour union, which gradually transformed into a huge federation of labour unions. In some towns in the Eastern states, there were demonstrations by the unemployed. In New York, for instance, the demonstrators marched under the slogans: "The Jobless Demand Jobs, Not Charity", "When the Worker Begins to Think—the Monopolies Quake". In 1874-1875, strikes of a truly militant nature broke out in textile mills in several states. Government troops were sent from the South to the North to put them down.

Unemployment became a terrible scourge for the workers. In 1893, crowds of jobless wandered around the whole country: they numbered 4.5 million. Wages dropped. Under these conditions, in the spring of 1894, under General Coxey, a hunger march of unemployed to Washington was organised and it reached its goal on May 1. Five hundred people took

part in it. The marchers, however, were met by police truncheons and dispersed.

During the period of monopoly capitalism, unemployment became a mass phenomenon in the USA. In 1897, 10 per cent of the workforce in the manufacturing, coal and construction industries and in transport were out of job, and in 1898 the figure was 16.9 per cent. Later the unemployment level dropped somewhat (to 10.5 per cent in 1899).

From 1901 to 1903, it fluctuated between 7 and 7.5 per cent, but in 1904 was back at 10.1 per cent. The next three years was unemployment of 5.9 to 6.9 per cent, but in 1908 it went up to 16.4 per cent and, just before the First World War, stood at 7-9.4 per cent. Finally, in 1914, it rose to 16.4 per cent again, and remained at 15.5 per cent in 1915.

Thus the working masses paid dear for every crisis and the "American way of life" proved sheer misery for them.

Under wage slavery, the contrasts between poverty and wealth became extreme.

Millions of workers in the USA at the end of the 19th century lived in slums, died from tuberculosis and other "social diseases". In 1891, for example, half the tobacco industry worker fatalities were from tuberculosis. This was partly due to the home-worker system, which was also widespread in the clothing industry. The home-workers often lived in urban slums.

Furthermore, as early as the 1880s, US millionaires lived in unbelievable luxury. At one reception, for instance, cigars wrapped in 100-dollar notes were handed round.

According to the 1890 census, an eighth of all families received over half the national income, while 5.5 million families (out of a total of 12 million) had no property that brought in any income. It is indicative that the richest families, who constituted but one per cent of the population, received more of the national income than half the poorest strata in the country.

The enrichment of the bourgeoisie in the USA proceeded at an unprecedented rate. In 1861, there were only three millionaires in the country, but in 1897 there were already 3,800. It is considered that, at the end of the 19th century, 90 per cent of the national wealth belonged to only 10 per cent of the population. In 1912, the national property of the USA was estimated at 187.7 billion dollars, but most of it belonged to the capitalists (the land, buildings, machinery),

while two-thirds of the population possessed only 5 per cent of this property.

In 1914, Lenin devoted a special article to the American workers' slogan of "Four Thousand Rubles a Year and a Six-Hour Day". He pointed out that there were 15 million workers' families in the USA, producing an annual 60 billion roubles worth of consumer goods, i.e., four thousand roubles worth per family. Half of this sum, however, was appropriated by the capitalists, who constituted only a tenth of the population (together with their supporters and followers). Unemployment raged in the country, about half of the workers being employed less than full-time, and the cost of living went up, while the billionaires lived in unheard-of luxury. Moreover, "already a land of boundless wealth", the country "can at one stroke *treble* its wealth, *treble* the productivity of its social labour, and thereby guarantee to *all* working-class families a decent standard of living worthy of intelligent human beings, and a not excessively long working day of six hours".<sup>9</sup>

The miserly bourgeoisie prevented this, however, and wage slavery was a heavy burden oppressing the working masses.

Under these conditions, any resistance put up by the workers to the regime of capitalist exploitation was cruelly suppressed. Under the conditions of wage slavery and the dictatorship of the monopolies it became commonplace for workers to be met with actual violence and for strikers to be beaten up. The bourgeois false democracy thus showed itself up and threw off its cloak. It turned every major strike into a civil war. The police, armed to the teeth, were on the side of the manufacturers and beat up the workers. The government proved to be just a puppet in the hands of the monopolists.

When, in the 1870s, the miners attempted to put up a fight for better working conditions, they were hunted and persecuted not only by the mine-owners. The press, the Church, the state militia, the courts, and the manufacturers' private police detachments all opposed the workers.

As soon as the miners went on strike on January 1, 1875, the mine-owners began to terrorise them, using armed bands of "vigilantes", who laid ambushes and murdered active labour union members. Arrests were made, and, on the basis

<sup>9</sup> V. I. Lenin, "Four Thousand Rubles a Year and a Six-Hour Day", *Collected Works*, Vol. 20, p. 69.



of false evidence given by "the labour spy" James McParland, and on the businessman's demand, death sentences were handed down to 19 miners. On June 21, 1877 ten of the condemned were executed, and the last two lost their lives on January 14, 1879.

The notorious Pinkerton agency, which survives to this day, played an evil and repulsive role in the struggle against the labour movement even in the 19th century. Allan Pinkerton set up a whole system of spies within working men's organisations. It grew particularly fast during the strikes of the 1870s and 80s, providing the entrepreneurs with spies and agents provocateurs.

When, on July 16, 1877, the USA's first ever general railwaymen's strike broke out, armed reprisals against strikers were already commonplace. General Sheridan's troops, which had been engaged in wiping out Indians (the Sioux), were now turned against the Chicago workers. A genuine battle was fought in Pittsburgh near the railway depot and in Baltimore clashes grew into street battles. The newspapers called the strike a communist plot. The *New York Herald* called for shootings, while the *New York Sun* proposed that the hungry strikers be fed with lead. In Baltimore, the police fired on the crowd. As a result, 12 people were killed and 18 wounded. Yet the strikers held firm, with the support of the miners, farmers and the unemployed. Crowds of people stopped the trains by gathering on the railway tracks. In Pittsburgh, the police killed 20 people and wounded another 29, the dead including women and children. In Chicago Sheridan's cavalry attacked the workers, killing 12 and wounding 40. Martial law was declared in the city, and mass arrests began, 74 of the active strikers finding themselves behind bars. Later, 44 of them were given prison sentences.

In fact, all the railwaymen were asking was for the means to stay alive. In the 1870s, their wages dropped several times and averaged 5-10 dollars a week. The actual spark that set off the strike was yet another wage cut, of 10 per cent. Moreover, the events that took place during the strike reflected the consequences of the economic crisis that broke out in 1873 and aggravated class contradictions to the extreme.

Thus, a hundred years ago, the bourgeoisie of the USA was already hiding behind the flag of anti-communism in its fight for profits and perpetuation of wage slavery.

The industrial revival that began in 1879 proved short-lived and, by 1883-1885, another crisis had set in. From 1885

to 1886 there were major strikes of railway, telegraph, textile workers, and even of lumbermen. Strikers again began to be murdered. Miners were killed in Cripple Creek (Colorado) and Connellsville (Pennsylvania). In Chicago workers of the McCormick Co. were shot at, and strikers were shot down in Texas and other places. Those responsible for the majority of the murders were the Pinkerton agents, of which there were whole brigades (infantry, cavalry and even ordnance). In return for large gifts, the Church presented this as the will of God. At the same time, scholars pointed out that the events complied with Darwin's theory of the survival of the fittest. The newspapers defended the monopolists.

The class struggle reached a considerable scale in 1886. On May 1, about 340,000 people took part in demonstrations, the events taking the most dramatic turn in Chicago, where about 80,000 people went out into the streets to demand an eight-hour working day. The demonstration culminated in a meeting, but the businessmen and their obedient Chicago authorities had prepared provocative actions. On May 4, a hired secret agent threw a bomb in the Haymarket square, and this was used as a pretext for a bloody battle and legal reprisals against the workers' leaders. On October 9, 1886, August Spies, Albert Parsons and others were sentenced to death on the basis of false evidence. They were hanged.

The period of working men's strikes at the end of the 19th century showed clearly how characteristic Lynch trials were of the American way of life. The *Chicago Tribune* threatened workers' meetings that, if necessary, the lampposts of Chicago would be festooned with the corpses of Communists.

In 1892, in the factories and plants belonging to Carnegie in Homestead, workers were shot simply in order to break up their labour union and cut their wages by 20 per cent. Carnegie himself, who was in Italy at the time, praised his "iron assistant" Frick for the reprisals.

A graphic idea of the American way of life is provided by the workers' strike in the town of Pullman (a Chicago suburb), where the railway carriage company belonging to George M. Pullman reigned supreme. This company robbed the workers even in the sphere of public amenities and charged ten cents for a thousand gallons of water, though it received it from the Chicago water supply system for four cents. Pubs, public meetings and labour unions were banned. The testimony of spies was enough to get workers sacked even for speaking openly. Finally, on June 27, 1894, 5,000 of the Pull-

man workers went on strike, and railwaymen began to join them. On June 29, the number of strikers reached 125,000. Then, the next day, the railway tycoons began to instigate clashes and disorder, making use of the police and deputy sheriffs, rounded up from among cut-throats, thieves and former convicts. The companies armed them and let them loose on the strikers. The struggle against the Pullman company grew into major clashes. On July 2, the Federal Court banned strike activities of any sort. Then, on July 4, President Cleveland sent a large detachment of federal troops to Chicago (of 1,936 men). Altogether 14,000 armed men were concentrated there (6,000 soldiers, 5,000 deputy sheriffs and 3,000 policemen). Major clashes broke out as a result of various types of instigation. Thirty people were killed and about ninety wounded. Eugene Debs and other leaders of the American Railway Union did their best to avert clashes, but failed. Ignoring this fact, the Grand Jury falsely accused Debs and his comrades of organising a plot against the US government, referring, moreover, to the Sherman Antitrust Act. Arrests followed. Innocent labour leaders were put behind bars.

From 1892 to 1903, the troops of the Federal Government and of individual states were called out to put down strikes by ore-miners in Coeur d'Alene, Leadville, Salt Lake City, Telluride, Idaho Spring, and Cripple Creek, and they did not baulk at arrests or blood-letting. Thus, in Coeur d'Alene (in the North of Idaho), in 1892 and 1899 thousands of miners were kept behind barbed wire for months on end, without any accusations being made. During the 1903-1904 strike in Colorado, 42 miners were killed, 112 wounded, 1,345 arrested and 773 deported from the state, all because they had demanded an eight-hour working day.

At the same time, the monopolists also used their own associations in the struggle against the working-class movement. In 1899, when a strike broke out among workers in non-ferrous metallurgy plants in Colorado, the American Smelting and Refining company closed down all its plants affected by the strike, unfulfilled orders being handed over to other ones.

After a strike of 23,000 textile workers broke out in 1912 in Lawrence (Massachusetts), the participants were subjected to the usual repression. The police shot a girl, Annie LoPizzo, simply for taking part in the strike. The strikers' leaders, Joseph Ettor and Arturo Giovannitti, were arrested

and accused of the murder. The Philadelphia Women's Committee decided to feed the starving children, but the police surrounded the railway station and attacked with their truncheons anyone trying to evacuate the children, who were crammed into army lorries and sent back. Many workers were arrested and imprisoned for taking part in the strike.

In spite of this terrorisation, the strikers were victorious and, on March 14, the manufacturers capitulated, agreeing to raise wages by 5-20 per cent, increase overtime payment and cut the time for the payment of bonuses for work above the norm to two, instead of four weeks. A large proportion of those who had been arrested were released.

All this gives a good idea of what the American way of life has been like in the past. It was, and still remains, a regime of wage slavery. At every step, the working class has come up against the dictatorship of the monopolies, served by the government machinery, from the President down to the lowest-ranked policeman. Woodrow Wilson himself, who became the philistines' idol, both as President and as "peacemaker" during the Versailles period, wrote in 1914 that, in the USA, the law did not stop the strong pressing the weak to the wall.

Only under pressure from the working-class movement was the US bourgeoisie compelled to make a whole series of concessions in the years preceding the First World War and then during it. In 1912, for instance, 38 states passed laws limiting the working day for children and setting a minimum age for hiring them. At that time, too, in Massachusetts a minimum wage was set and, in 1913, another eight states followed suit. In many states laws appeared setting up factory inspectorates. In 1914, the Clayton Antitrust Act was passed, which provided for certain measures to regulate the activities of the monopolies. It stated that the labour unions should not be interpreted as a conspiracy or a variety of monopoly. By 1915, 25 states had issued laws limiting the working day. Substantial groups of workers managed to get an eight-hour working day. At the same time, by that year 35 states had adopted decisions on material compensation for industrial disablement. In 1915, the La Follette Law allowed sailors to leave their jobs while en route, and thus freed them from the despotism of captains. Previously, it had been a criminal offence to leave in this way. In 1916, Congress sanctioned the Adamson Act, making eight hours a normal



day for railway workers and envisaging 150 per cent wages for overtime. The Act did, it is true, apply only to workers on interstate lines.

4. *The Decay of Capitalism and the Development of the Class Struggle.* It cannot be denied that, from 1860 to 1917, the USA advanced greatly, both economically and politically. The area under agriculture increased and there was an exceptional rise in the output of agricultural products. The construction of a railway network of tremendous scale was completed. A mighty industry was created. Powerful corporations appeared and the USA extended its colonial possessions. The American colonial empire took shape.

The question naturally arises, therefore, as to how exactly capitalism in the USA was decaying.

When he put forward the thesis concerning the decay of capitalism during the period of imperialism, Lenin did not reject the possibility of the productive forces in individual countries continuing to develop. He wrote that "it would be a mistake to believe that this tendency to decay precludes the rapid growth of capitalism. It does not. In the epoch of imperialism, certain branches of industry, certain strata of the bourgeoisie and certain countries betray, to a greater or lesser degree, now one and now another of these tendencies."<sup>10</sup>

The USA's economic development provided no grounds for denying the decay of capitalism. As already noted, this development was engendered by a whole series of specific factors and merely reflected the increasingly uneven economic development of individual countries in the age of imperialism.

The monopolies acted as a brake on technical progress everywhere, since it ceased to be an economic necessity. They could get by without it, by dominating the market and maintaining control over the bulk of the output. This does not mean that all incentives to technical progress disappeared completely. Superprofits remained: they resulted from a reduction in the cost of output through modernisation of technology. No absolute stagnation occurred, therefore, and US industry still advanced. Many inventions were made, as the apologists for capitalism often mention this fact. They forget to note, however, that an even greater number of valuable inventions was locked away in the safes or stored in the archives.

<sup>10</sup> V. I. Lenin, "Imperialism, the Highest Stage of Capitalism", op. cit., p. 300.

The US monopolies expanded production, but only within the bounds that could be sold at monopoly, i.e., high prices. Otherwise they cut production, acting like the Portuguese merchants of the 16th-17th centuries, who burned surplus spices. The rate of US industrial development therefore fell off. Over the last thirty years of the 19th century, industrial output rose by 7.9 per cent annum, but from 1900 to 1913, the figure dropped to 6.7 per cent.

Economic crises became increasingly destructive, and they were aggravated by the monopolies. Specific facts have already been presented to show how each crisis threw the USA several years backwards in economic terms. The crisis fever cost the US economy a lot.

Not only in Britain or France, but also in the United States, parasitism became an increasingly mass phenomenon. The capitalists were transformed into rentiers and lost their productive functions, of which they had previously been so proud. When more and more enterprises united to form stock-companies, trusts were formed, production was monopolised and capital exported, this furthered the process most actively. The American bourgeoisie also became a parasitical growth on the social organism of that enormous country. The question of the elimination of private capitalist appropriation was ripening.

At the same time, the internal contradictions of the capitalist system in the USA intensified and the class struggle assumed a tremendous scale. The history of the strikes outlined above gives a clear idea of this. The working class in the USA, too, became a menacing giant, whose slightest movement aroused panic in the bourgeoisie.

Immediately after the Civil War, an active struggle began for a cut in the working day. In 1886 the Central Eight Hour League was set up and a mass movement developed. Under this pressure, the Federal Government itself was forced to make concessions and, in 1868, to pass a law reducing the working day in state-owned plants to eight hours. This decision was followed in six states, but the laws remained on paper, though the workers were in a radical mood.

In 1859, a labour union of foundry men was formed, but for some time its existence was purely formal. Then its revival was undertaken by William Sylvis who managed, in 1863, to convene a founding congress in Pittsburgh in order to revive the national organisation of foundry men.

In the 1880s, the Knights of Labor union became a very powerful organisation. In 1880 it had only 29,000 members, but by 1886 there were 700,000 of them.

In the early 1880s, the struggle for better working conditions gained momentum. In 1883, under the leadership of Parsons and Spies, the International Working People's Association was founded and began to wage an active struggle for an eight-hour working day.

In 1881 the American Federation of Labor appeared; later it was to play a major role in the history of the trade union movement. At the time, it was distinguished by a certain radicalism, and Samuel Gompers, its leader, was a self-styled Marxist.

On June 20, 1893, the American Railway Union was formed in Chicago, and then immediately spread its activities throughout the country, alarming the capitalists. The fact was that, in the USA, there were already 600,000 railwaymen and the union began to unite them according to the production principle. On behalf of the Socialist Labor Party, Daniel de Leon welcomed the founding of the American Railway Union. Debs was elected its president.

On June 27, 1905, the leaders of the Western Federation of Miners (William Haywood and Charles Moyer), left-wing Socialists (Debs and de Leon), and several secondary officials of the AFL announced in Chicago the creation of the Industrial Workers of the World (IWW) union, which called for an active economic and political struggle, proposing that "the working class and the employing class have nothing in common" and there cannot be any peace between them, since the lot of millions of workers is hunger and privation. In 1908, the new organisation's congress came out against co-operation with any political party, orienting its tactics on "direct action" and considering the working class as its chief weapon. This, however, brought justifiable protests from de Leon and other representatives of the Socialist Labor Party, and they left the IWW. In 1916, the IWW united only 60,000 people, but it exerted an influence on the broad masses of the workers and took an active part in organising strikes. Its leaders had no illusions concerning collective bargaining agreements. The most active members were itinerants, black-listed railwaymen and miners, lumbermen, cowboys and construction workers.

At the beginning of the 20th century, worker candidates were already being put forward for president. Eugene Debs,

the Socialist Party candidate, received 97,000 votes in 1900, over 420,000 in 1904, and double that number in 1912.

It should be noted that the working-class movement in the USA, which was very broad in scope, was ideologically immature and lacked the necessary political organisation. The continuing colonisation process disrupted the proletarian masses. Many workers went west, so the class contradictions of the US capitalist system were transferred to the outlying internal colonies. Capitalism's growth in breadth became a tremendous reserve for the bourgeoisie of the USA, and the Homestead Act of 1862 nurtured many illusions.

Discrimination against the Negroes, the national strife between the immigrants and the indigenous Americans' scornful attitude towards them hampered the political consolidation of the country's working class. The bourgeoisie took advantage of national differences to set groups of workers against one another. The organisation of immigrants in general was a difficult matter. Usually they did not know English and often fell into bondage. A major stumbling block for the US labour unions was racial discrimination against the Negroes. In 1867 and 1868, the congresses of the National Labor Union refused to admit Negroes to their ranks. Only in 1869 were they admitted to the Convention.

In subsequent decades, many labour unions refused to accept Negroes, on the grounds of their Charter or traditions.

Monopoly capitalism engendered in the USA a so-called "labour aristocracy", which was nourished by colonial superprofits, exploitation of the Negroes, immigrants and the main mass of the workers. Many "lieutenants of capital" appeared (such as Gompers), who were servile to it. They cultivated workshop traditions and hampered the coalescence of the workers.

In 1914, the AFL unions had 2,021,000 members, but 9,600,000 workers in manufacturing and transport, as well as millions in other spheres of the economy, were still unorganised. Gompers and other leaders of the AFL were not interested in their unification, wanting only "control over hiring", alluding to "professional pride" and orienting themselves on "business principles of labour union work". Gompers never departed from the principles of "pure trade unionism", remained a supporter of workshop unions and was satisfied with just a "fair day's wage for a fair day's work". Such attitudes on the part of the capitalists' lackeys fettered the



movements of the giant that was the US working class by the beginning of the 20th century.

The ideological immaturity of the working-class movement in the USA hampered its success. This seems surprising. One reason was that, as a result of the colonisation and plunder of a whole continent, businessmen enjoyed a sort of prestige. They inherited the fame of the "pioneers" and the "pilgrim fathers", knowing the way to wealth. The plebeian pretensions of the American bourgeoisie and their unexampled hypocrisy furthered this, and very actively, too. The cult of might and rapacious money-grubbing became entrenched in the USA, where even millionaires played the part of pious preachers.

Late 19th-century sociologists (like William Sumner) asserted that wealth was the natural reward of the strong, while poverty was the just lot of the weak and less able. The railway tycoon D. Hill claimed that the wealth of the railway companies grew on the basis of "the survival of the fittest". Economists in government pay (Francis Amasa Walker) suggested that capital should be considered as the fruit of thriftiness and interest, as a reward for restraint.

In Europe, the links between the bourgeoisie and the nobility greatly discredited the former in the eyes of the broad population. In Russia, 1917 presented the clearest example of this. Businessmen in the USA, however, were a cosmopolitan group, skilfully disguised as "the people".

Many other aspects were also of significance. As a result, the bourgeois influence on the working class was particularly strong in the USA, and this sapped its strength.

All sorts of petty-bourgeois illusions gained wide currency. In the 1860s, for instance, one very popular opinion was that an increase in the issue of paper money (greenbacks) would be accompanied by a drop in the cost of credit and a disappearance of the financial oligarchy's domination, and would mean an end to all the country's economic difficulties. Even the leaders of the National Labor Union believed this.

Co-operative illusions were then very strong among the US workers, too. After 1867, many labour union sections set up production co-operatives, and this was encouraged by mass dismissals of workers. For some time, the co-operatives paid higher wages, but they soon began to close down, as they were short of capital and credit remained unattainable to them.

In 1879, Henry George's book *Progress and Poverty* came out. The author asserted that inequality in the distribution of wealth could be eliminated by setting a unified tax—a tax on land. In his opinion, such a tax would provide work and full earnings for everyone. Then poverty, miserliness, greed and vice would disappear.

Yet the ideas of scientific socialism still managed to penetrate the US working-class movement.

Communists appeared in the country since 1848, and the first communist organisation was set up in New York in 1852. During the 1857 crisis, under the leadership of Communists, the unemployed waged a struggle for the means of their survival. During the Civil War, Communists fought for the emancipation of the Negroes. As noted above, Joseph Weydemeyer, a friend of Karl Marx, was made a general by President Lincoln. In 1867, a division of the International Working Men's Association, founded by Marx, was set up in the USA. In 1876, the Socialist Labor Party appeared and, in 1900, its rival Socialist Party.

Socialist groups elaborated and put forward increasingly clear programmes for the class demands of the proletariat.

Eugene Debs, leader of the American workers said: "The earth for all the people. That is the demand."

"The machinery of production and distribution for all the people. That is the demand."

"The collective ownership and control of industry and its democratic management in the interest of all the people. That is the demand."

"The elimination of rent, interest and profit and the production of wealth to satisfy the wants of all the people. That is the demand."

To this he added the triumph of social production, freedom, an end to class domination, poverty, cruelty, ignorance, division between masters and slaves, "the beginning of MAN" under the conditions of brotherhood. He never concealed the fact that his aim was the triumph of socialism.

The US capitalist system should not be interpreted in isolation from the general contradictions of world capitalism. The domination of the monopolies in the USA urged the country towards economic expansion and colonial plunder. Yet the struggle for the redivision of the world prepared the ground for the First World War and the war's consequences affected the USA. At last 1917 came, and the first blow was dealt at the world capitalist system. The Great October So-

cialist Revolution seriously undermined the positions of the USA throughout the world.

5. *The specifics of the economic development of the USA during the age of imperialism.* On the basis of the material presented above and Lenin's works, the following specifics may be noted in the economic development of the USA during the period under consideration.

1. The USA presents the clearest example of the growing unevenness of capitalist development in the age of imperialism, since a rapid development of the productive forces was characteristic in the country, the industrial centres of capitalism were moving to North America and the USA was outstripping other countries, eliminating the industrial monopoly of Britain, and surpassing even Germany in the volume of its industrial production and rate of development. The scale of railway construction was unprecedented.

2. The development of monopoly capitalism in the USA proceeded much faster than elsewhere. It was here that the concentration of capital and production increased sharply before it did so in other countries, its monopolisation began and affected the key branches of the economy (the railways, the oil industry, metallurgy, and so on), and the most powerful and mature forms of monopoly (trusts) emerged and established their dictatorship. From the beginning of the 20th century, the USA became an empire of trusts, on whose territory classic forms of monopoly capitalism took shape and the dictatorship of the monopolies acquired the most repulsive features.

3. In the USA, an extremely powerful financial oligarchy formed, which to this day holds the main levers of this enormous country's economy in its hands. The dollar empire became this oligarchy's personal estate and its dictatorship was merely masked by democratic phrase-mongering. Holding companies, as the most flexible and concealed form of monopoly capitalism, and the dictatorship of the financial oligarchy assumed a major role.

4. The rapid development of the US economy was, however, in no way a sign of any exclusiveness of American capitalism. Earl Browder's falsifications were completely groundless. This development was accelerated by the completion of the democratic revolution and the anti-slavery emphasis of its second stage (1861-1865). The abolition of plantation slavery provided industry with millions of cheap workers, speeded up the development of capitalism in agriculture, made

possible the victory of the farmer's course of this development and facilitated the expansion of the home market. The development of agriculture and industry became unified, something that was lacking in Japan and Russia, even in Germany and France, and especially in India and China. The advantages of farmer's course of development of agrarian capitalism were used particularly extensively, though the country did not have a monopoly of them (this course was also characteristic of Canada, South Africa, Australia, New Zealand, Siberia, and post-revolutionary France).

5. It would be absurd to credit the monopolies with the rapid development of the US economy. It was observed in agriculture, too, although the latter remained scattered and the total number of farms even increased. Railway construction and industrial production assumed tremendous proportions even in the preparatory period for monopoly capitalism (1860-1900), when a major role was played by joint-stock companies, which were only just beginning to develop into monopolies. The joint-stock system for mobilising capital and concentrating production played an extremely important part in speeding up the USA's industrialisation and the preparations for the dictatorship of the monopolies.

6. The rapid industrialisation was stimulated by mass immigration and the broad inflow of foreign capital. World manpower resources became accessible to the dollar empire, which accepted millions of the workers lost by other countries. In no other developed capitalist country did foreign capital play such a major role as in the USA. The country's industrial system was created to a large extent as an international enterprise of the world bourgeoisie.

7. The USA's economic achievements, even after the abolition of plantation slavery, were gained at the high cost of exploitation of the broad population and robbery of the people. Survivals of slavery remained and discrimination against Negroes was still a characteristic feature of the American way of life. The western lands were plundered at an increasing rate and internal colonialism was still inherent in the USA. It provided the country with tremendous economic resources. The colonisation land fund was supplemented by dispossession of the Indians of their land, which facilitated the development of capitalism in breadth, an increase in the agricultural area, an expansion of immigration and the home market,



8. In the USA, wage slavery assumed the most onerous form and capitalist exploitation was taken to the extreme. Nowhere else in the capitalist world was there such a brutal sweating system. This system doomed the workers to exhaustion and premature old-age, mass injuries, and often to death. Wage slavery was aggravated by discrimination against Indians, Negroes, Mexicans, Puerto Ricans, Cubans, Chinese, Japanese and even immigrants from Europe, and by inhuman exploitation of women and children. A certain rise in wages for only some of the workers resulted from the shortage of manpower or increase in labour reproduction costs (in connection with the rising cost of living, the growing intensity of labour, and urbanisation). The myths concerning the "high standards" of American capitalism, its compatibility with the well-being of the people were mere lies thought up by the apologists of wage slavery (such as E. Browder).

The USA was behind other countries (even tsarist Russia) in the development of factory legislation, and there was no social insurance there, though it already existed in Germany and Britain.

9. "Bureaucratic capitalism", which had become so deeply entrenched in Japan, Russia and even Germany, played no substantial role in the USA, where pure forms of capitalist enterprise were typical and engendered the joint-stock system and, on its basis, monopolies. The bourgeois state did, however, play a major economic part. Plantation slavery itself was eliminated by political means, and the dispossession of the Indians of their land and plunder of the western lands took place with the active participation of "American democracy". The bourgeois state encouraged internal colonialism, distributed all land seized, used it to enrich the railway tycoons and speed up railway construction. The policy of protectionism promoted the further growth of industry. Military aggression by the dollar empire facilitated the monopolies' economic expansion.

10. Since it possessed the tremendous economic resources of internal colonialism, a capacious home market and a broad sphere for profitable investment, the USA initiated its external colonialism and economic expansion, and military aggression outside the country later than many other countries (Spain, Portugal, Holland, Britain, France and Russia). Until the end of the 19th century, the export of capital was negligible, and colonial acquisitions were disguised as trade agreements (for example, the purchase of Alaska).

11. The USA began its external colonisation at the same time as Japan and Germany but, from the end of the 19th century, as the Spanish war revealed, the US imperialists were throwing off their masks and beginning the extensive export of capital, the creation of a colonial empire (the seizure of the Hawaiian Islands, Guam, Puerto Rico, Cuba and the Philippines, the establishment of various forms of protectorate in Latin America, participation in the First World War and the foreign intervention against Soviet Russia). Moreover, the US monopolies made more extensive use than the imperialists of other countries of economic forms of colonialism: Canada and Latin America found themselves "in the dragon's mouth", so no military occupation was required for them to be exploited, while in the Far East, in Africa, and Southern Asia, the US capitalists outdid their rivals in economic terms. American colonialism was more flexible, masked and tenacious, and it still retains its hold over dozens of countries in America, Asia and Africa, in spite of the collapse of the colonial empires.

12. Russia, Britain, France and Germany were weakened and exhausted by the First World War, but the monopolies of the USA took advantage of this bloodbath to get rich.

As in other countries, the 1914-1918 war speeded up the development of state-monopoly capitalism. Trans-Atlantic "democracy", being bourgeois and false, assisted the financial oligarchy, speculators and industrialists in robbing the peoples of Europe, who were spilling their life's blood.

13. In spite of the extremely sharp contradictions of capitalism, the working-class movement was immature and organisationally weak. This was due to the national division among the workers, racial prejudice, the differences in the conditions of skilled and unskilled workers, the disorganising impact of immigration and colonisation, wide spread of petty-bourgeois illusions connected with the free distribution of homesteads and fuelled by myths about the limitless possibilities of the "Brave New World". The US bourgeoisie took skilful advantage of all this for the purposes of social demagoguery, setting groups of workers against one another, and disrupting the working-class movement. By bribing the "labour aristocracy", the bourgeoisie repressed strikers and labour union organisations. The corrupt leaders of the AFL slavishly served the bourgeois dictatorship.

## Chapter 4

### MONOPOLY CAPITALISM AND GERMAN EXPANSIONISM

1. *The preconditions for rapid industrialisation.* During the age of imperialism, Germany came to the fore in the economy of Europe, leaving its rivals far behind (France and Britain) and giving way only to the "dollar empire" across the ocean. The process of industrialisation of the Kaiser's Germany gained dramatic speed. The rapid growth of German industry from 1871 to 1914 changed the balance of power between the Great Powers completely. The creation of a powerful industry was the determining factor in Germany's economic history at the time: it speeded up the concentration of production, the emergence of monopolies, the formation of finance capital, the expansion of economic aggression and the preparations for colonial adventures. Germany's strong industry became German imperialism's trump card. The formation of the working class gained momentum, together with the intensification of class contradictions.

Germany's industrial rise was repeatedly used by German chauvinists for all sorts of demagoguery and for justification of their claims to world dominion. The bourgeois economist Werner Sombart wrote that the German had a capacity to be a *Teilmensch*, an official by nature, and that in this lay the secret of the industrial successes scored by the Kaiser's Germany. The slogan "*Deutschland über Alles*" was based primarily on its industrial success.

Yet there was no economic miracle here. Lenin showed that, in the age of imperialism, the *unevenness of the development* of individual countries *increases*. Apart from Germany, large-scale industry was also developing rapidly in the USA, and even in Japan and Russia. Moreover, it should be stressed that Germany's economic development during the age of imperialism had much in common with that of Russia and the shifts that were taking place were largely similar to those occurring in Russia.

At the end of the 19th and the beginning of the 20th century, an exceptional expansion of production and a rapid

concentration of capital, as well as the formation of monopoly capitalism, were observed in German industry. Approximately the same was seen in Russia after the 1861 reform. At the end of the century, Russian industry sharply increased the scale of its production, especially in the 1890s, a certain role having been played in this by railway construction. Of particular significance, however, was the economic implementation of the 1861 reform. The abolition of serfdom in Russia speeded up the country's economic development tremendously. Even under tsarism and the survivals of serfdom, Russia saw the emergence of mighty monopolistic associations, characteristic of the latest form of capitalism. At the same time, in Germany, too, the emergence of such monopolistic associations took place against a background of persisting vestiges of the feudal age and feudal relations. In particular, both in Russia and in Germany, large-scale landownership prevailed, and the land-owners or Junkers held the land wealth of the country in their hands. The Prussian way of development of capitalism in agriculture was characteristic not only of Prussia, but also, to a considerable extent, of Russia.

Germany's significant industrial rise after 1871 does, however, require explanation. Many factors of an external nature were, of course, of major importance in this, particularly the Franco-Prussian war. What France lost, Germany gained. The German bourgeoisie obtained Alsace-Lorraine with its developed industry and, the main thing, colossal high-quality iron-ore deposits. It became possible to combine the ores of Lorraine with Ruhr coke and thereby promote the extensive development of the iron and steel industry. This external acquisition was used widely by German imperialists for consolidating their economic positions. Very favourable conditions were created for the development of heavy industry. The Franco-Prussian war provided Germany with a huge indemnity of 5 billion francs. In various ways, this money fell into the hands of the German bourgeoisie and was used for capitalist ends. German capital received a fresh injection and therefore viability. The economic expansion of the German bourgeoisie was placed on a firmer foundation. What the Prussian military stole was used on behalf of German capital. Bismarck, the Iron Chancellor, who was then ruling Germany and who supported the Junkers, was in the service of German capital and helped enrich the German bourgeoisie.



The events of the Franco-Prussian war were, however, also connected with major ones in Germany's internal affairs. The protracted and agonizing process of Germany's political unification was completed. For hundreds of years, Germany had suffered from being politically divided. Even at the end of the 18th century, about 300 independent states existed on German territory. This political fragmentation at one time held back the country's economic development and limited its industrial growth. Now, as a result of the victory over Austria in 1866 and then over France in 1870-1871, Prussia united the German lands around itself. The Prussian king became the German Emperor Wilhelm I and the so-called Second Reich emerged. A mighty political unit appeared in the middle of Europe, and this created the political preconditions for the plunderous activities of the German bourgeoisie, for territorial seizures and the economic expansion of German capital.

German industry received fuller and more reliable customs protection against British and American competition. The empire's trade policy in subsequent years was resolutely protectionist. Moreover, Germany was waging a customs war with Russia, France and other countries in defence of its enterprises. Protectionism became a major economic reserve for German imperialism, as it did for American.

In his article "The Bourgeoisie and Reformism", Lenin wrote in 1913 that Bismarck had succeeded in his reforms "only because he went further than reformism", had carried out a "series of revolutions from above", robbed France of 5 billion francs, and given universal suffrage and genuine legality "to a people intoxicated with a stream of gold and unprecedented military successes".<sup>1</sup>

The creation of the empire was accompanied for the German bourgeoisie by the receipt of a firm and unified gold currency, the supply of which grew and grew. In 1876, there were about 1.3 billion gold marks in circulation in Germany, and by the outbreak of the war in 1914, there were already 4.8 billion. The introduction of gold coinage understandably did much to strengthen the economic positions of the bourgeoisie.

As a consequence, the fiscal reserves of the German imperialists were made to serve the economic expansion of the

bourgeoisie. The German government took an active part in railway construction, just as the Russian government did, and financed it at the taxpayer's expense. The lines were often laid for strategic considerations, but were also used for developing trade and industry. Railway construction obviously created a tremendous demand for all sorts of metal units and stimulated the expansion of the iron and steel, and non-ferrous metals industry. Not only in the USA, but in Germany, too, the enormous scale of railway construction played a major role in the industrial upsurge.

Consequently, Germany's industrial growth was prepared for by the country's internal development and speeded up by political unification. German capital hastened to take advantage of the economic possibilities provided by the Second Reich.

In addition, of major significance in Germany, as in the USA, was the construction of new factories and plants on a large scale. In the preceding period, German industry had not been developing fast enough. The industrial revolution began only in the 1830s-40s, and in the 1850s-60s a comparatively small number of factory-type enterprises were set up. In a whole series of industries, capitalist manufactories remained, especially in the linen fabric and other textile industries. Thus, by the end of the 19th century, German capitalism was not so burdened by accumulation and stocks of fixed capital as was, for example, British capitalism. In many industries, German capitalists had to build industrial enterprises from scratch. This applied particularly to new industries, such as the electrical engineering, chemical, etc. Like their American and Russian counterparts, German businessmen could take better advantage of new construction. They did not have to throw away old equipment in order to install new, as British and French capitalists did. At the end of the 19th century, on the basis of new equipment and big capital, large-scale factories and plants were built in Germany, so the degree of concentration of capital and production was considerably higher in Germany than in Britain and France.

A major role was also played by the change in the very structure of modern industry. During the period of industrial capitalism, it was the textile industry that predominated, as Britain's economic history testifies. Cotton production was in first place everywhere and determined the structure of industrial production and the trends in its development. Now,

<sup>1</sup> V. I. Lenin, "The Bourgeoisie and Reformism", *Collected Works*, Vol. 18, p. 535.

in the period of imperialism, the centre of gravity shifted to heavy industry, which exercised the dominant influence on the economic development of a number of countries. Meanwhile, Germany had an extremely rich raw material base for the development of heavy industry. Note should be made of the tremendous deposits of hard coal, which could be used for metal production, and so on. Germany had deposits of iron ore, which were further increased by the acquisition of Alsace-Lorraine. Germany's minerals did, it is true, suffer from an excess of phosphorus, but an invention by the British engineers Sidney Thomas and Percy Gilchrist made it possible to use even ores with a high phosphorus content. A converter tap made of baked dolomite helped smelt malleable iron out of pig with a high phosphorus content. Thomas slag was obtained as a by-product, this being a valuable fertiliser for land short of phosphorus.

In this way, the shift of the epicentre to heavy industry put Germany in a very favourable position and explains many of the changes that took place in German industry in the age of imperialism. At this time, new industries, including the chemical industry, electrical engineering and mechanical engineering, were acquiring major importance. Germany had many monopolies in these industries, so its industrial output went up sharply.

Such are the factors behind the growth of German industry, the expansion of production and increase in the scale of output. German historians explain the industrial successes scored by Germany during the period of imperialism by the German people's industriousness, their predilection for obedience, and some other specifics of the German nation. Later, these theories were used in the racial demagoguery of fascism.

In fact, however, there was no justification for this. The shifts in German industry were a result of the historical conditions under which Germany was developing and the changes that were taking place in world industry in general.

The same thing was observed in Russia at the end of the 19th century, not only in Germany and the USA. The decay of capitalism, as Lenin repeatedly stressed, does not exclude a growth of industry or the economic expansion of the bourgeoisie, but the economic expansion of the bourgeoisie engenders contradictions that have disastrous consequences for capitalism.

In Germany, it was precisely the industrial successes

that primarily prepared the ground for the 1914 catastrophe, when German imperialism attempted to transfer its internal contradictions to the international arena and resolve them with the help of military adventurism. The First World War, however, had a dangerous outcome for German capitalism which, by 1918, was on the verge of collapse. In November 1918, the workers were in control in Germany's towns. Only treachery on the part of the right-wing leaders of the Social Democratic Party saved German imperialism at that time.

The decay of capitalism, as we can see, was observed not only in Britain and France, but also in Germany, the USA, and Russia, in spite of these countries' industrial successes.

As in other countries, capitalism in Germany proved economically unviable during the age of imperialism. It could not cope with the productive forces that had been created by the country's former development. German imperialism sought solutions to its economic contradictions and speeded up the preparations for the First World War, but the 1914-1918 war did not eliminate the contradictions of German imperialism. On the contrary, it further aggravated those of world capitalism and played a tremendous role in the setting in of its general crisis.

At the same time, in Germany as well as Britain and France, other manifestations of the decay of capitalism appeared. In particular, a large rentier stratum emerged. The bourgeoisie lost its economic functions in production, while the parasitic nature of its existence became especially obvious.

Moreover, it should be noted that the German industrial revolution that began in the 1830s and 40s was completed in the 1870s, so a substantial part of the expansion of industrial production in Germany should be credited to the economic reserves of the previous period, reserves that the late-developing industrial capitalism had at its disposal even in the initial stage of the transition to monopoly capitalism. Similar things were seen in Russia, too.

2. *The growth of industry.* In the period of imperialism, Germany became a mighty European industrial power, and this accounted for much of its economic history.

By the end of the 19th century, Germany was second only to the USA in the volume of its industrial production. The share of its output in world industry was constantly



rising. In the early 1870s, it was 13.2 per cent, but had reached 16.6 per cent by 1896-1900. While the share of Britain's output in the world total was steadily falling and France was beginning to play a more modest role, the significance of German industry in the world economy was growing substantially.

The basis for this was provided by the increase in industrial production. The creation of all sorts of joint-stock companies was of major importance for the expansion of this production.

By the early 1870s, feverish enterprise had assumed a vast scale. Over only 3 to 4 years, 857 joint-stock companies were set up with a capital of 3.3 billion marks. Then, in the late 1880s, the fever abated, to break out again in the second half of the 1890s. The third wave came from 1904 to 1914 in the period before the First World War, when many joint-stock companies were set up.

At the same time, the joint-stock form of enterprise made it possible to mobilise substantial capitals and use them for the expansion of German industry. As a result, the capitals of industrial joint-stock companies were already enormous by the beginning of the 20th century. In 1910, they stood at 10 billion marks. A third of these capitals functioned in the mining industry. The volume of industrial production continued to rise. Over the last thirty years of the 19th century, it roughly doubled, continued to grow in the first decade of the 20th century and, by 1914, had reached vast proportions.

Particularly massive shifts were taking place in the iron and steel industry. At the end of the 19th century, the annual output of the mining industry was estimated at roughly 4 billion marks. From 1871 to 1900, coal output trebled, that of pig iron multiplied sixfold and that of steel rose from 0.2 to 6.3 million tonnes. The German iron and steel industry produced enormous quantities of ferrous metals and already far surpassed not only French, but also British industry, coming second (instead of being in fourth place) only to the US iron and steel industry.

In 1910, the world output of pig iron was 65.8 million tonnes, with Germany accounting for 14.8 million tonnes of this. Although the German iron and steel industry was behind the American, it far outstripped the British, which produced only nine million tonnes, to say nothing of the French. In technical terms, Germany's plants were of a high

standard and made extensive use of the Bessemer method for smelting steel, and of direct delivery of the molten metal from the furnace to the ladle for the subsequent rolling of steel blocks without intermediate heating. The use of furnace gases had begun in the mid-1890s, bringing a drop in production costs.

In addition to the iron and steel industry, however, other branches of industrial production were also developing rapidly in Germany during this period. In particular, engineering, which was producing more and more output, began to play a much greater role.

A clear idea of this is given by the censuses of 1882, 1895 and 1907. In 1895, 385,000 people were employed in the German engineering industry, and in 1907—907,000. The number of workers employed in engineering rose by 135 per cent over 12 years and began to approach the million mark. The growing production of internal combustion engines was of particular importance.

The German engineering industry exported large quantities of output, and this rapid development did much to strengthen the industrial base of German imperialism.

In addition, the German electrical engineering industry was developing well (from the mid-1880s onwards). A whole series of technical inventions found application in this new industry, which developed intensively in the 1890s. A major role was played by the invention of the eddy current, which, from 1891 onwards, was used for the mass production of electric motors and transformers (at AEG plants). At the beginning of the 20th century, turbines began to be produced and they soon acquired increasing importance. During the 1890s, 71 joint-stock companies were founded specially for the construction of electrical engineering works. By the end of the 19th century, there were 200 such firms. Later, the electrical engineering industry entered the world arena, set up many overseas enterprises and penetrated the markets of neighbouring countries.

It should also be noted that the chemical industry was developing intensively. In this sphere, Germany had a whole series of technical monopolies and used them to raise prices and to pursue its plunderous policy on the world market. In the chemical industry, many huge plants were built for producing artificial dyes, soda, sulphuric acid, fertilisers, and so on. It became a very important economic reserve of German imperialism. By the end of the 19th century, there

were 23 German joint-stock companies engaged in the production of chemicals. From 1867 to 1900, the production of, for example, sulphuric acid rose 13-fold (from 75,000 to 950,000 tonnes). Anyline dyes soon ousted vegetable ones.

Light industry continued to grow. Over the last ten years of the 19th century alone, the equipment capacity of the cotton industry rose by 40 per cent. The centre of gravity was, however, shifting to heavy industry, which undoubtedly grew much faster in Germany during the period of imperialism than the production of goods for personal consumption did. From 1860-1867 to 1913, the production of capital goods increased ninefold, but that of consumer goods only quadrupled. The total volume of industrial output in Germany increased greatly from 1870 to 1913: by 471 per cent, or almost fivefold. Meanwhile, the increase in Britain over these years was 127 per cent and in France—203 per cent. Only in the USA was the growth rate of industrial production higher.

Germany's industrial growth served as the economic basis for important changes that were taking place in the composition of the population. The number of people engaged in industry rose much faster than the total population did, even though, from 1871 to 1913, the latter increased by roughly 64.2 per cent to reach 67 million. The growth of industry was accompanied by an urbanisation of the population and the share of the urban population became more and more substantial. In the early 1870s, a third of the population was concentrated in towns, but later the population structure began to change greatly.

In 1882, out of a total population of 45 million in Germany, 18.9 million or 41.8 per cent lived in towns; in 1895, out of 52 million—26 million or 49.8 per cent; in 1907, out of 62 million—36 million or 58.1 per cent. Thus, over a quarter of a century, the total German population rose by 36.5 per cent, but the urban population by 89.6 per cent (and by 254.4 per cent in the biggest towns).

In 1910, the majority of the population was already urban. The ancient lethargy of the German towns was overcome and they became industrial factory centres, acquiring a totally new image.

The development of German industry was accompanied by the mass ruin of the petty bourgeoisie, craftsmen and artisans of all sorts.

The mass proletarianisation of petty-bourgeois elements is characteristic of Germany in the period of imperialism. The share of the proletariat in the population increased sharply over these decades. In 1895, workers made up 67 per cent of the country's population and their numbers, together with their families, reached 35 million. The renowned German craft industry, of which German chauvinists are so proud, lost ground. The scale of the expropriation of artisans in the 1880s and 1890s exceeded anything seen before in the history of capitalist development.

Attempts were made to stabilise the so-called "middle stratum" with the help of mediaeval guilds, cheap credit, and so on.

The infamous Verein für Sozialpolitik of German professors proposed projects of this sort for strengthening the middle stratum, but they never got further than political demagoguery. The projects were completely groundless under the conditions of imperialism and the tremendous development of large-scale production.

3. *The concentration of production.* On the basis of the extraordinary development of large-scale capitalist production, signs appeared in Germany of the monopoly stage of capitalism. Moreover, the fundamental features of imperialism, as discovered and analysed by Lenin in his work *Imperialism, the Highest Stage of Capitalism*, were manifested particularly clearly in Germany, as well as the USA.

The concentration of capital and production went very far in Germany, this being favoured by the fact that, during the age of imperialism, primarily large-scale industrial enterprises were built in the country, since the fixed assets inherited from the previous period were undoubtedly more modest than those in, for example, Britain. The processes of concentration were also boosted by the enormous significance acquired by new branches of production. In the chemical, electrical and mechanical engineering industries, and others, plants were understandably built on a huge scale, of the latest type and investing big capital. The joint-stock form of enterprise made it possible to mobilise even capital belonging to the petty bourgeoisie for the construction of such huge industrial plants.

The production in large-scale enterprises thus rose particularly sharply in German industry during the period of imperialism. In the hard coal industry of the Rhein and



Westphalia region, for instance, the number of mines fell off considerably from 1850 to 1910, while the average number of workers per mine rose from 62 to 2,131, and output from 9,000 to 538,000 tonnes (or fiftyfold).

Very indicative in this respect were the blast furnaces used in the German iron and steel industry. In the early 1840s, the average blast furnace was operated by about thirteen workers. By 1910, the number of workers had risen 32-fold, while the annual output per furnace had gone up 263-fold (from 574 to 149,495 tonnes). The average scale of enterprise in this vital branch of German industry was growing rapidly. The same was observed in the coal, mechanical engineering, chemical, and electrical engineering industries. Large-scale enterprises were set up everywhere. At the end of the 19th century, even silk-weaving began to be concentrated in factories.

Lenin pointed out that the concentration of capital and production in German industry was progressing exceptionally fast. He noted that the number of enterprises with a thousand workers was constantly growing, as the 1882, 1895 and 1907 censuses showed. In 1882, there were only 17 such works, but by 1907 there were 586. The number of workers in these enterprises quadrupled from 1882 to 1907, though, overall, the increase was much less for industry as a whole. By 1907, over 800,000 people were already working in plants of this size, meaning that the number of workers was nearing the million mark. There were, of course, incomparably more plants with fifty or more workers. By 1907, there were 30,588 of them; though they constituted about 1 per cent of the total number of industrial, transport and commercial enterprises in Germany (of which there were almost three million), they held in their hands three-quarters of the energy resources of German industry and provided almost the same fraction of output. Thus, thirty thousand large-scale plants employing fifty or more workers determined the socio-economic structure of industry. In 1882, they accounted for 22 per cent of the total workforce in industry, transport and trade, and in 1907—37 per cent.

In addition to these, there existed an enormous number of small establishments, including craft workshops. There were 2.97 million of these, but they played no major role in the country's economy. These enterprises held only a negligible share of Germany's energy resources and employed very

few workers. From 1882 to 1907, the share of those employed in small enterprises (with 1-5 workers) fell from 55 to 29.5 per cent. Their share of energy resources in industry (steam and electric) was no more than 7.4 per cent in 1907.

German industry, it is true, lagged considerably in terms of concentration behind that of Russia and the USA, but was ahead of France and Britain.

The high degree of concentration of German industry is evidenced by the increase in the average investment per enterprise. Before the 1914 war, it was 5.6 million marks in the iron and steel industry, 2.7 million in the ceramics industry, 26.2 million in electrical engineering, 5.9 million in the chemical industry, 2.6 million in the textile industry, 4.3 million in the paper and cardboard industry, 3.4 million in the brewing and malt industry, and 3.0 million in engineering. These figures show that only a plant with capital of several million marks was viable. Concentration became particularly highly developed in the electrical engineering industry. It is not surprising that, at the end of the 19th century, it swallowed up 25 per cent of all industrial investment, the reason being not only that electrical engineering was developing rapidly, but also that enormous capital was required for setting up competitive plants.

*4. The formation of monopolies.* The concentration process went so far that it created the economic basis for the emergence of monopolies. They began to appear in the mid-19th century. The Society for the Sale of Nassau Iron was set up as early as 1857, the Association for the Sale of Tinplate in 1862 (in Cologne), the Rail Society in 1864 and the Salt Cartel in 1868. This, however, was before the time of most monopolies. Later, in the 1870s and 80s, many other cartels appeared. In 1870, there were no more than six, but in 1879 their number reached 14, and in 1890—210 (excluding brewing). Later, the number of such associations continued to grow; they sprang up in various industries and grew in scale. They appeared with exceptional rapidity in the late 1880s; from 1885 to 1890 an average of 24 cartels a year were set up.

The 1893 industrial crisis, which infected Germany, too, speeded up the creation of such associations. German manufacturers attempted, on the basis of monopolies, to eliminate the consequences of the crisis. They strove to restrain the drop in prices and, by robbing the customer and exploit-

ing the working class even harder, to salvage their profits and supplement their capital.

The wave of monopolisation increased even more in the 1890s. In 1896 there were already 260 associations. Later, monopolistic tendencies gained great momentum in German industry. The world economic crisis of 1900 to 1903 speeded up the formation of monopolistic associations. As Lenin stressed, monopolies appear both before and after a crisis, but the crisis provides the impetus to monopolistic tendencies and strengthens them.

By 1900, there were already 300 monopolistic associations in Germany, and before the 1914 war—about 600. Many of these were, it is true, only small and did not exceed the big joint-stock companies in scale. In particular, many of these small associations existed in the brewing and textile industries, but the decisive role in the German economy belonged to just a few huge monopolistic associations. They included, above all, the Rheinisch-Westfälische coal syndicate, which was founded in 1893. Later it was to include the coal deposits of the Ruhr basin and controlled 95.4 per cent of the mining there in 1910. In the pre-war years, this syndicate held 50 per cent of all the coal-mining in Germany and was one of the most important bases of German imperialism.

Monopolisation of the iron and steel industry was extremely profound, as can be seen from the appearance, in 1904, of the German Steel Syndicate, which united 31 works in the Ruhr. The Upper Silesian Steel Syndicate was founded at the same time. In 1908, the Gelsenkirchen Mining Society had 46,048 workers.

Moreover, powerful associations were appearing in the electrical engineering industry after 1900. By 1908-1912, two huge rival monopolies had taken shape: AEG (the Universal Electricity Company) and the Siemens-Schuckertwerke, both of which possessed enormous capitals.

In 1911, the AEG works had about 60,000 employees. This company reflected the imperialistic strivings of the German bourgeoisie particularly clearly. It established many subsidiaries in neighbouring countries, including Russia (before the 1914 war, there were 34 such subsidiaries in other countries). AEG participated in almost two hundred electrical engineering companies, and thereby controlled their activities in its own interests, took part in the export of capital and penetrated the most remote markets. It

competed with the American company General Electric and divided up world markets with it, ignoring political frontiers and historical traditions. Thus, in 1908 a special agreement was concluded between American and German monopolists, providing for a division of markets. The German monopolists got the territory of Europe, which was treated as their own estate. They also raised the question of a redivision of the world.

By the beginning of the 20th century, six large firms were of decisive significance in the chemical industry. In 1904, they merged into two concerns, one of which was called the Common Interests Company. Later, in 1916, they merged into a single concern—the IG Farbenindustrie.

Powerful monopolistic associations also formed in shipping. They included the Hamburg-America company, and then North German Lloyds. They had enormous capital at their disposal (200 million marks each) and divided up the world together with American monopolists. In 1903, a special twenty-year agreement was concluded on the division of spheres of influence. American monopolies shared their possessions with their German counterparts.

All this led to Germany becoming a country of monopoly capitalism at the beginning of the 20th century. Its economic development fully confirmed Lenin's theory of imperialism. The dominion of monopolies was established in Germany and the country entered the phase of imperialism.

It should be stressed here that the German monopolies far outstripped the British and French ones in the scale of their activities, and were on a level with the Americans in this. They united whole industries and commanded huge economic spheres. British monopolies usually united 30-50 firms, while German ones embraced hundreds. In 1900, for instance, the sugar cartel included 450 sugar-mills. The German monopolies covered the economy even more completely than their American counterparts did. Cartels arose in Germany in the production of tear-off calendars, brushes for cylinders, and so on.

For Germany, so-called syndicates and cartels became characteristic. In their organisational structure, the German monopolies lagged behind the American trusts, for the cartels merely set the price level and determined the regions and volume of raw material purchases, and sales quotas without eliminating the commercial independence of the individual undertaking. Syndicates deprived the industrial



enterprise only of its commercial independence while each of them operated in production completely independently.

Meanwhile, the American trusts combined not only sales, but also production. They swallowed up individual enterprises and made them no more than one of the screws in the monopolistic association.

In their structure and organisational maturity, the German monopolies were similar to the Russian ones, which were also typically syndicates and cartels. Trusts also appeared in Germany, of course. A clear idea of this is given by the AEG. Some joint-stock companies expanded so much that they began to resemble trusts. For example, in 1912, the Friedrich Krupp AG employed about 70,000 factory and office workers.

The main economic precondition for the emergence of monopolies in Germany was the concentration of capital and production. A major role was played by joint-stock companies. The monopolies even further expanded the bounds of the unification of capitals, and their mobilisation, and helped create huge enterprises. They stepped up the exploitation of the workers, unifying and initiating mass production. This provided the economic justification for the monopolisation of industry.

Other aspects were also of significance, however. The policy of protectionism pursued by the Kaiser's government since 1879 furthered the emergence of monopolies. Since foreign competition was restricted, German manufacturers found it easier to reach an agreement on control over the home market. The fact that Germany had only just begun creating a colonial empire was also of import. German industrialists had to wage a fierce struggle for foreign markets and stubbornly defended their positions. The monopolies helped in this and, right from the start, were sometimes formed expressly for the purpose of economic expansion. Economic aggression was the traditional function of the monopolies, which, as it were, compensated for the shortage of colonies. Characteristically, in Britain the monopolies developed to a lesser degree, since the colonial monopoly guaranteed British manufacturers the markets they needed. Finally, an active role in the development of monopolies was played by German militarism. Military orders and deliveries led to the enrichment of firms with government connections. A clear example of this is provided by the history of the Krupp firm. During the First World

War, state capitalism took firm root in Germany, this being the highest form of monopoly capitalism.

The intensive development of state capitalism was due not only to general laws, but also to a whole series of special conditions in Germany's development. This speeded up the maturing of the preconditions for a socialist revolution.

In his pamphlet entitled "The Tax in Kind", Lenin wrote in April 1921 that, in Germany, "we have 'the last word' in modern large-scale capitalist engineering and planned organisation, *subordinated to Junker-bourgeois imperialism*. Cross out the words in italics, and in place of the militarist, Junker, bourgeois, imperialist state put also a state, but of a different social type, of a different class content—a Soviet state, that is, a proletarian state, and you will have the sum total of the conditions necessary for socialism."<sup>2</sup>

He believed that "a victorious proletarian revolution in Germany would immediately and very easily smash any shell of imperialism (which unfortunately is made of the best steel, and hence cannot be broken by the efforts of any chicken) and would bring about the victory of world socialism for certain, without any difficulty, or with only slight difficulty—if, of course, by 'difficulty' we mean difficulty on a world-historical scale, and not in the parochial philistine sense".<sup>3</sup>

5. *Finance capital and the dictatorship of the financial oligarchy.* During the period of imperialism, finance capital was formed in Germany and the dictatorship of the financial oligarchy was established over the country's economic affairs. Lenin showed this clearly in his investigations into imperialism.

Powerful banking associations took shape in Germany, and dominated on the capital market, penetrated industry and held the economic reins in their hands. These banks included the Deutsche Bank, with its enormous capital, the Disconto-Gesellschaft, the Dresdner, Darmstädter and other banks. The country's financial resources were controlled primarily by the Berlin banks, nine of which held in their safes half of all the deposits of German banks—5.1 billion marks out of a total of 10 billion in 1910.

<sup>2</sup> V. I. Lenin, "The Tax in Kind", *Collected Works*, Vol. 32, 1973, p. 334.

<sup>3</sup> *Ibid.*

Just before the war broke out in 1914, these banks held 11.3 billion marks, or 83 per cent of Germany's total banking capital (in 1909). The Deutsche Bank was the biggest, a truly gigantic banking enterprise: with a capital of 300 million marks of its own, it controlled a whole system of subordinate banks (87 in all).

This bank was in control of a capital worth three billion marks, participated in dozens of other banks and, through them, spread its tentacles to various branches of industry. The Deutsche Bank had many branches abroad and reaped huge profits in other countries. It took part in the struggle of the international monopolistic associations.

The Disconto-Gesellschaft was another powerful banking enterprise. Its capital grew rapidly at the turn of the century: in 1870 it had about 30 million marks, and in 1910 about 300 million.

The banks had their own agents on the boards of joint-stock companies, industrial undertakings, etc. Lenin pointed out that six Berlin banks had agents in 751 industrial enterprises. The banks closely linked their plunderous interests with industry and seized power in joint-stock companies. A true financial oligarchy emerged, which commanded both banking and industry, robbed the German people and developed international economic expansion. As Lenin remarked, Germany was ruled by 300 tycoons, an oligarchy that served as the decisive force of German imperialism. It participated in the export of capital and demanded a redivision of the world in the interests of imperialist Germany.

It should be noted that, from the end of the 19th century, the German banks began taking an active part in establishing monopolies in industry, too. The monopolisation of, for example, electrical engineering, took place with the direct support of the big banks from 1883 onwards, when the Deutsche Edison-Gesellschaft für angewandte Elektrizität was founded. It was later renamed the Universal Electricity Company (AEG) and became the biggest monopoly in the electrical engineering sphere. In 1896, there were 39 joint-stock companies in this industry, almost all of them having emerged with the help of banks, which also gave direct assistance in the further monopolisation of the electrical engineering works belonging to AEG and Siemens and Halske AG, in the creation of the Rheinisch-Westfälische Kohlensyndikat, the German Steel Syndicate, and so on.

The revival of the coal syndicate in 1903 was achieved under pressure from the Disconto-Gesellschaft. The banks often assumed the functions of syndicates themselves and set up their own companies for marketing industrial output. Universal banks appeared on the scene; these fulfilled the most diverse functions in mobilising capital and financing industry and commerce.

So-called regular bank credit was used for industrial investment more in Germany than in other countries. The result was a "credit strain", but an expansion of industrial financing, too. Bank capital became stuck in industry for long periods. In order to release it, the banks worked for its further monopolisation, even at the cost of a "credit boycott". In 1904, the Schaffhausen Bank first bought up the shares of the Phoenix company, and then forced its merger with the Steel Union.

By setting up joint-stock companies, the German banks reaped promotional (founder's) profit on a tremendous scale. From 1895 to 1900, it fluctuated between 38.6 and 67.7 per cent. The founding fever of the late 19th century brought the German banks heaps of gold. Over only ten years (1891-1900), the promotional profit provided over a billion marks of such profit.

The coalescence and intertwining of bank and industrial capital was well advanced. In Germany, they assumed classic forms, as in the USA. In France, banking capital was diverted into the sphere of ordinary money-lending and left the country. The British banks preferred to finance colonial seizures and enterprises and were less interested in the country's domestic industry. The colonial sphere remained virtually inaccessible to the German banks, so Germany's banking capital rushed mostly into industry. Berlin was both the capital of the Reich and, at the same time, its banking centre. Many banks emerged immediately as major enterprises. Examples are the Deutsche Bank, which was set up in 1870, the Commerz-und-Disconto-Bank (1870), the Dresdner Bank (1872) and the Nationalbank für Deutschland (1881). Later their capitals grew fast and they became credit giants. The monopolisation of credit was not accompanied by such frequent mergers of firms as was that of industry. Even in 1913, Germany still had 1,850 private banks.

In general, it should be noted that, already by the time of the First World War, Germany's finance capital was



highly developed and the dictatorship of the financial oligarchy became a reality.

6. *Economic aggression of German imperialism.* From the end of the 19th century, Germany began expanding economically in a variety of forms. The preconditions for this were created by the presence of a powerful industry, the emergence of monopolies, the formation of finance capital, and the accumulation of enormous capitals in bank safes. The formation of a Second Reich strengthened the positions of the German bourgeoisie in the world.

The economic expansion of German imperialism was manifested primarily in commodity exports. Germany's foreign trade was expanding more and more. From 1872 to 1900, it increased by 100 per cent, and doubled again from 1900 to 1913, since exports rose from 4.6 to 10.0 billion marks and imports, from 5.7 to 10.7 billion.

Meanwhile the structure of foreign trade was totally different. Previously, in the first half of last century, Germany had imported industrial goods from Britain. In the 1830s, it was exporting industrial raw materials, including wool, to Britain. German exports were largely agricultural in nature, but now industrial goods assumed decisive importance. Exports acquired an industrial character and reflected the expansion of German industry on world markets.

Germany now imported vast quantities of raw materials for its own industry, and this did much to strengthen its economic positions.

Data on the structure of German exports are of major interest. By the 1880s, exports of machinery, steel and iron goods, and chemicals were already rising rapidly. From 1895, exports of these items began to grow even faster. From 1880 to 1899, the export of machinery and instruments rose from 90 million marks to 291 million, and that of chemicals from 200 million to 365 million marks. The share of machinery and tools in German exports went up from 3 to 7 per cent, and that of chemicals from 7 to 9 per cent. Heavy industry acquired decisive importance for Germany's export trade, while the role of so-called "home industry" dropped off substantially: from 1882 to 1895, the export of textiles even experienced an absolute drop from 623.6 million marks to 585.2 million.

Germany imported huge amounts of iron ore (from Sweden and Spain), timber (from Austro-Hungary, Russia, Sweden

and the USA), wool, cotton, oil and so on. In 1910, 183,000 tonnes of wool came into the country. Industrial Germany was constantly expanding its agrarian outskirts and tightening its stranglehold on economically backward countries.

It is characteristic that, over the quarter century preceding the First World War, Germany's exports grew faster than its imports though the rise in the latter was more even and moderate. Directly before the outbreak of war, the exports were growing by roughly 10 per cent a year.

Germany's foreign trade had thus attained tremendous proportions. In 1911, its foreign trade turnover was assessed as 19 billion marks, and in 1913 as 20.7 billion. Moreover, exports of goods to countries that were dependent in financial terms grew particularly fast. From 1889 to 1900, for instance, the export of German goods to Romania, Portugal, Argentina, Brazil, Chile and Turkey rose by 92 per cent (from 234.8 million marks to 451.5 million). This increase was greatly affected by loans and the growth of capital exports.

Germany was steadily expanding its merchant marine, the tonnage of which was rapidly growing. In the mid-19th century, it was tiny and played no major economic role, its tonnage being estimated as half a million tonnes. Later this fleet grew at an accelerating rate; in 1871, its tonnage was already 982,000 tonnes. But it grew particularly fast at the end of the last century and just before the First World War. In 1901, the merchant marine tonnage was almost two million (1.9) tonnes, and by 1912—three million. Sailing ships were very few in number. Since 1880, the steam-ship fleet had increased eightfold and big steamships became characteristic. In the early 1840s, an average capacity of a vessel was no more than 187 register tonnes, but from 1906 to 1910 it was 1,261 tonnes.

Before the 1914 war, Germany's fleet was much smaller than the British one, which had a tonnage of 21 million tonnes. Even so, Germany was becoming a sea power and Hamburg—one of the world's major ports. In 1914, 130 regular sea routes linked Hamburg with ports throughout the world, while in 1880, there had been only 42 of them.

One clear manifestation of German imperialism's economic expansion was Germany's participation in international monopolies. This, as Lenin noted, was becoming increasingly characteristic and widespread in the age of imperia-

lism. In 1897, Germany participated in forty international monopolistic associations and in 1910, already in a hundred of them.

The monopolies divided up world sales markets for raw materials and German capital took an active part in their rapacious policies. The first international cartel (the potassium one) was established in 1867 by German and French capitalists. Germany also had a quite substantial share (27 per cent) in the international rail syndicate that was founded in 1884, from which its incomes were considerable.

It is important to note that the export of capital was increasing in scale. It had started in the 1870s and 1880s, but only on a small scale at that time. Germany's overall economic backwardness acted as a brake on it. Later, towards the end of the century, exports expanded considerably. As Lenin remarked, in 1902, German capital investment abroad was estimated as roughly 12.5 billion francs; then it began growing rapidly and, before the First World War, reached 44 billion francs. Over ten years, German capital investment overseas quadrupled. Lenin wrote that "in these backward countries profits are usually high, for capital is scarce, the price of land is relatively low, wages are low, raw materials are cheap".<sup>4</sup>

This economic expansion of German imperialism brought the German bourgeoisie enormous profits and allowed them to plunder economically backward and dependent countries.

The export of capital from Germany did not, it is true, reach the same scale as that from France or Britain, since German capital was invested more in Germany's own industry. After all, the country did not have such rich colonies as Britain did. German industry was developing intensively and swallowing up more and more investment. Even so, the export of capital noted by Lenin was also characteristic of Germany, and not only of the traditional capitalist countries—France and Britain. Hence it follows that the export of capital in general became a characteristic feature of the latest economic development during the period of imperialism. In particular, big capital was sent to Romania, the Balkans, Russia and the countries of South America, and was used in many economically backward countries.

A very active role in expanding capital exports belonged

<sup>4</sup> V. I. Lenin, "Imperialism, the Highest Stage of Capitalism", op. cit., p. 241.

to the monopolies, which controlled new industries (electrical engineering and the chemical industry). About 91 per cent of the electrified railway lines that existed on the Continent by 1899 are known to have been built by German firms.

The economic expansion of Germany during the period of imperialism was greatly promoted by the *policy of protectionism*. In 1879, customs duties were raised sharply, and not only on the import of industrial goods, but also on agricultural produce. The free trade illusions of the 1860s-1870s were relinquished. Under the pressure of the world agrarian crisis, even the Junkers became protectionists. They used their political domination to make agricultural protectionism characteristic of Germany. The country was protected from the agrarian countries (such as Russia) by a customs barrier and, at the same time, forced them to import German-made industrial goods. Protectionism became a weapon of economic aggression against countries that were industrially backward and was used by the monopolies to dominate the home market, rob the customer and reap superprofits. In the age of imperialism, militant "cartel protectionism" became a weapon of the monopolies.

7. *The development of agriculture*. In the period of imperialism, certain shifts indicating an improvement in the agricultural methods also took place in German agriculture. In particular, more and more machines were used. The censuses showed that, in 1907, three times as many threshers were used as in 1882. In 1907, the number of threshers reached 947,000, while in 1882 there had been only 268,000. Increasing use was made of reaping machines, the number of which rose from 19,000 to 301,000 over the same period. Many steam ploughs appeared on the Junker estates. In 1907, there were 2,995 of these. The share of farms using machinery was rising: in 1907, 92.7 per cent of farms with 20 to 100 hectares of land were using machinery.

On the other hand, artificial fertilisers began to be applied in growing quantities and the area sown to sugar-beet was expanding: from 1873 to 1911 it increased from 88,000 to 496,000 hectares. The Junker holdings began to build their own distilleries and sugar-mills. There was a gradual rise in the yield of rye and potatoes by roughly 50 per cent (from 1885 to 1910), and of other crops by 33 per cent.

The productivity of agriculture in Germany was rising. From 1866 to 1870, for example, the sugar-beet crop was



no more than 2.5 million tonnes, but by 1906-1910, it averaged 13.4 million. The amount of sugar produced (unrefined) increased over this period from 211,000 to 2.1 million tonnes and the sugar yield rose substantially. Instead of 12 tonnes, only 6 tonnes of beet were required to produce a tonne of sugar. The number of sugar-mills dropped from 390 to 342 from 1882 to 1912, but the total output went up greatly. The potato harvest before the war in 1914 reached 40 million tonnes, while Britain was producing no more than 6-7 million. Potatoes began to play an extremely important role in Germany's food budget, at the same time being used as fodder for cattle and as a raw material for distilleries, of which there were 5,000 at the beginning of this century.

The sown area remained virtually unchanged: from 1880 to 1912 the total agricultural area increased from 21.7 million hectares to 23.4 million, a very modest expansion. Meanwhile, in Russia and the USA the sown area was expanding extremely fast.

However, the Germany's agricultural output was increasing rapidly: the grain harvest was going up, as were those of sugar-beet and potatoes. The rye harvest for 1900-1904 averaged no more than 9.66 million tonnes, but for 1911-1912—11.23 million. That of wheat went up from 3.90 to 4.24 million tonnes and that of oats from 6.95 to 8.11 million tonnes, mainly through yield increases. It has been calculated that, over the 19th century, the productivity of German agriculture doubled or even trebled. An enormous role was played by the introduction of the correct crop-rotation, improvement in land cultivation methods and, especially, application of abundant quantities of fertilisers. Mineral fertilisers (potassium and phosphates) were used very extensively in Germany, so greater harvests were taken in than in Russia and the USA, where extensive farming was still the rule. In Mecklenburg, from 1902 to 1911, the yield per hectare averaged 17.9 centners of rye, 23.7 of wheat, 22.4 of barley, 21.2 of oats and 141.6 of potatoes.

The increase in the yields of fodder crops and potatoes made it possible to expand livestock-breeding. From 1873 to 1912, the number of horses increased from 3.3 to 4.5 million, the head of cattle rose from 15.8 to 20.2 million, the number of pigs from 7.1 to 21.9 million and of goats from 2.3 to 3.4 million. As is seen from the figures pig-farming was growing especially fast, with the number of

pigs trebling. There was, it is true, a certain decline in sheep-breeding, since Australia, New Zealand and other overseas countries began to supply the world with wool. Germany was in no position to compete with them and the number of sheep fell by 75 per cent (from 25.0 to 5.8 million) over the same period.

The productivity of labour was also rising, as can be seen from the fact that the increase in harvests and the number of domestic animals was achieved with a simultaneous drop in the population engaged in agriculture. A major role in this belonged to the introduction of machines, the use of artificial fertilisers, improvement of cattle breeds, and so on.

In his article "Capitalism in Agriculture" (1900), Lenin noted that, in Germany, France and Britain, the drop in the rural population (including agricultural labourers) during the period of imperialism was accompanied by an increase in the use of machinery. In Germany, for instance, from 1882 to 1895 the rural population dropped from 19.2 to 18.5 million, but the number of machines in agriculture grew.

8. *Agrarian contradictions in the German village.* The successes scored by German agriculture did not serve to eliminate the contradictions there. The country's raw material reserves were very limited and far from corresponded to the might of German industry. A tremendous gap opened up between the resources of agriculture and industry. As already noted, Germany had to import vast quantities of agricultural raw material (cotton, wool, leather) to supply its industry. At the same time, the towns were short of foodstuffs, which had to be imported in constantly growing amounts. From 1900 to 1904, oats imports averaged only 0.51 million tonnes, but in 1911-1912 they stood at 3.0 million tonnes a year. At the same time, the import of barley increased from 1.17 to 3.30 million tonnes, while that of wheat remained virtually unchanged (2.03 and 2.08 million tonnes), but stood at a quite substantial level. That of rye fell off somewhat (from 0.83 to 0.32 million tonnes).

The mighty development of German industry was not backed up by an adequate expansion of its foodstuffs and raw material base. Agrarian contradictions proved to be the stumbling block for German capitalism. Its economic weakness compared with American imperialism was revealed,

the latter having a strong raw material base and enormous food resources. British imperialism expanded its agricultural outskirts in Canada, South Africa, India, Australia and New Zealand. In France, the gap between agriculture and industry was not so wide, while Russia possessed large agricultural reserves.

The agrarian contradictions of German imperialism were also greatly aggravated by the domination of Junker land-ownership, this system hampering the rational and adequate use of the available land. A substantial part of it was taken by luxurious country houses, hunting estates, forest tracts, and the like. This prevented an expansion of the agricultural area and vast numbers of peasants were land-starved and lacked the resources to purchase fertilisers or modern machinery. Not only France, but Germany, too, suffered from land-parcelling. The German peasant with a tiny plot of land that he clung to as best he could, was in no position to advance technical progress. Petty-bourgeois restrictions were also characteristic of German agriculture: in the North-Eastern districts they were engendered by the "Prussian way" of capitalist development, while in the South-Western ones they were inherited from the preceding period and gained strength during the further expropriation of the peasant masses.

Lenin provided a profound analysis of Germany's agrarian contradictions, often returning to this issue during the struggle against revisionism. He emphasised that in German agriculture capitalism was developing, and the peasantry were being expropriated and doomed to poverty and back-breaking toil. At the same time, land parcels hampered the development of agriculture, Junker land-ownership played a reactionary role and Germany's agrarian contradictions became more and more serious. Lenin showed the erroneousness of the revisionists' thesis concerning the advantages of small-scale farming and the firmness of the "labour principles" in its evolution.

In 1907, Lenin wrote that, from 1875 to 1884, in German agriculture, the capitalist progress of livestock-breeding consisted in an improvement in the breeds and better maintenance, rather than an increase in their numbers. Indeed, the number of animals on the larger farms even dropped somewhat over this period.

Big farms had the maximum number of animals (in weight terms) per unit area and applied the maximum quan-

ties of fertilisers, so their production was in "a better position".<sup>5</sup>

Analysing the material included in Kautsky's works, Lenin focused on the fact that, in 1895, 1.5 million out of the 5.5 million German agricultural holdings belonged to wage workers (agricultural and industrial). Moreover, 704,000 of them belonged to artisans.<sup>6</sup> From 1882 to 1895, the number of all agricultural holdings increased in Germany by 281,000, but these were mainly plots of up to one hectare.

Lenin noted that, according to the 1895 census, no steam ploughs were in use on farms of less than five hectares, while ones of 100 hectares or more used such ploughs quite frequently (5.29 per cent), and steam threshers even more often (61.22 per cent).<sup>7</sup> He wrote that arguments concerning the "advantages" of the small peasant holding sounded very strange, for they consisted in the peasant's lower level of requirements, an ability to go hungry, wear himself out at work and so hold out longer in a crisis.<sup>8</sup>

Germany suffered greatly from the agricultural crisis at the end of the last century, but the burden of the consequences of the drop in prices on the world market was aggravated by the system of Junker land-ownership. In Prussia, for instance, in the pre-crisis period of 1849 to 1879, the land rent rose from 13.9 to 35 marks per hectare, while the price of land doubled.

From 1871-1875 to 1891-1895, the prices of wheat in Germany dropped by 28.5 per cent, but the land rent in Eastern Prussia even rose. In 1879, it was 37.8 marks per hectare, but in 1891—41.1 marks. In Baden it was also high, though from 1878 to 1895 it dropped somewhat (from 96 to 86 marks). The way out of the crisis was sought in protectionism. From 1879 to 1887, import duties on rye and wheat were raised fivefold (from 1 to 5 marks per centner). As a result, the price of wheat was higher in Germany than in Britain by 38 marks a tonne (at the beginning of the 1890s).

<sup>5</sup> V. I. Lenin, "The Agrarian Question and the 'Critics of Marx'" *Collected Works*, Vol. 13, 1978, p. 193.

<sup>6</sup> See: V. I. Lenin, "Capitalism in Agriculture", *Collected Works*, Vol. 4, 1964, p. 139.

<sup>7</sup> *Ibid.*, p. 144.

<sup>8</sup> *Ibid.*, pp. 153-54.



Unmasking the revisionists' conjectures (David, Bulgakov) concerning the viability of small-scale agricultural production, Lenin pointed out that in Germany the harvest of cereal crops "regularly and very considerably *diminishes* with the diminution of the area of the farms",<sup>9</sup> the small-farmers' cattle were weaker and kept under worse conditions, while the rise in the number of very small holdings meant "a tremendous growth of poverty and proletarianisation". Thus, for example, the vast majority of the owners of plots of land less than 2 hectares in area could not survive on their agricultural incomes alone and had to hire out. In 1895, only 45 per cent of the total number of farmers, for whom farming was the chief occupation, were independent farmers. The number of hired labourers stood at 31.3 per cent, and of the military and officials at 6.4 per cent. The number of big farms (over 100 hectares) dropped. Lenin stressed, however, that "with the intensification of farming *it is* sometimes *necessary* to make a slight reduction in the area of the farm",<sup>10</sup> the owners have to lease some of their land, etc. In general, there was an "*improvement* only among the big farmers; deterioration among the rest; the *greatest* deterioration among the middle-peasant farms".<sup>11</sup>

Analysing the 1907 census, Lenin remarked that, out of Germany's 5,736,082 farms, only a third belonged to owners for whom independent farming was the chief occupation and who did not engage in subsidiary enterprises. On the other hand, there were 2,084,060 "proletarian farms" (0.5 hectares or less), their owners including 1,287,312 hired labourers (according to their chief occupation) and only 97,153 independent farmers. Among the owners of 0.5 to 2 hectares, there were 535,480 hired labourers.

Moreover, account should be taken of the fact that, according to the 1907 census, out of 2 million owners of up to 0.5 hectares, 624,000 had no more than kitchen gardens and 361,000—potato patches. About a third (a million) of the total number of "proletarian farms" (3.4 million) had no farm animals, about two-thirds (i.e., 2.5 million) had no cattle and 90 per cent (3.3 million) had no horses. "Proletarian farms" produced a negligible proportion

<sup>9</sup> V. I. Lenin, "The Agrarian Question and the 'Critics of Marx'", *Collected Works*, Vol. 5, 1977, pp. 170-71.

<sup>10</sup> *Ibid.*, p. 198.

<sup>11</sup> *Ibid.*, p. 204.

of the total agricultural output, since they possessed only 10 per cent of the animals and 5 per cent of the arable land (1.2 million hectares out of 24.4 million).<sup>12</sup>

In 1913, Lenin noted that for every ten German farms of 2 to 5 hectares there were 4 hired labourers, of 5 to 10 hectares—already seven, and of 10 to 20 hectares—even seventeen. Thus, the term "working" peasant ... merely deceives the workers by concealing this exploitation of wage-labour".<sup>13</sup> As a result, "the majority of the peasants live in poverty, are ruined and become proletarians, while the minority trail after the capitalists and help keep the masses of the rural population dependent upon the capitalists".<sup>14</sup>

9. *The reasons for the particular aggressiveness of German imperialism.* German imperialism did not, of course, confine itself to just economic expansion in the international arena. At the end of the 19th century, it became increasingly persistent in raising the question of a redivision of the world in accordance with the new balance of power.

German imperialism was particularly aggressive at that time and accelerated the unleashing of the First World War. Germany under the Kaiser bears the main responsibility for the catastrophe of 1914. The monopolies of Britain and France, as well as the Russian tsarist government are also to blame for the First World War, of course, but events were clearly speeded up by German imperialism.

The agents of German imperialism explained its particular aggressiveness in a biased way, by Germany's notorious lack of *Lebensraum*. This was popular demagoguery of a chauvinist line. Sombart, too, attached significance to it. He indicated that Germany needed considerable agricultural area to solve its industrial problems.

There was no foundation for such claims, however. In fact, Germany had plenty of *Lebensraum* for economic expansion as was shown by the very rapid growth of German industry at the end of the 19th century and the beginning of the 20th. Since this development took place, there was obviously enough *Lebensraum* for it to do so.

Moreover, Germany made extensive use of foreign workers. Lenin pointed in particular to the fact that, before

<sup>12</sup> V. I. Lenin, "The Capitalist System of Modern Agriculture", *Collected Works*, Vol. 16, 1977, pp. 432-36.

<sup>13</sup> V. I. Lenin, "The Peasantry and the Working Class", *Collected Works*, Vol. 49, p. 207.

<sup>14</sup> *Ibid.*, p. 208.

the First World War, 440,000 foreign workers (Poles, Italians, etc.) were employed in German industry and 257,000 in agriculture.

The reason for German imperialism's particular aggressiveness was not, therefore, any shortage of *Lebensraum*, but the mighty development of German industry. The German bourgeoisie acquired a firm industrial base and demanded a redivision of the world in accordance with the new balance of power. Germany's industrial growth was the economic basis for its aggressiveness.

Since Britain and France were lagging in their industrial development, the German imperialists demanded what they called "a fair division of colonial spoils", by which they meant the right to rob colonised nations.

The aggressiveness of German imperialism was undoubtedly connected, above all, with the fact that monopoly capitalism was particularly well developed in Germany and was more active than the French, British or Russian versions. The might of the German monopolies was second only to the resources of the American trusts. It was the monopolies' aggressive policies that pushed the Kaiser's Germany towards colonial seizures, military aggression and preparations for the First World War. Monopoly capital strove to create its own colonial empire. The wild pursuit of superprofits was the primary task of the German imperialists.

At the same time, agrarian contradictions constituted another reason for the particular aggressiveness of German imperialism at that time. A wide gap naturally opened in the country between the extraordinary expansion of industrial production and its narrow agricultural potential. Germany's agriculture did not satisfy industry's requirements and did not constitute the necessary raw material base for the development of industrial production. This was mainly due, however, to the dominance of the Junkers in German agriculture, which prevented its progressive development. Even in the period of imperialism, survivals of serfdom remained, the main one being the domination of Junker land-ownership. As the 1882 census showed, a quarter of the land belonged to owners of over 100 hectares; in East Prussia, the figure was 40 per cent, and in Mecklenburg, Pomerania and Poznan even 50 per cent.

The poor peasants in Germany remained very short of land, and the hired agricultural labourer with a small plot

of land of his own became the typical figure in the German countryside. Germany's farmers included very many paupers with under two hectares of land; they made up 50 per cent of all land-owners, but they owned only a miserable 5 per cent of the total cultivated land.

The domination of Junker land-ownership held back the modernisation of production, technical progress and, consequently, the use of Germany's territory for solving the country's agricultural problems.

As Lenin indicated, agriculture continued to take the "Prussian way" of development within the framework of Junker semi-feudal land-ownership. The German people could not, therefore, make the necessary use of their *Lebensraum* at the turn of the century. Huge areas of land in the middle of Germany were given over to hunting parks, or luxurious country houses and were not, therefore, used for agricultural purposes.

It may thus be asserted that the domination of Junker land-ownership in Germany aggravated the contradictions of German imperialism, which could be solved only by eliminating this institution.

The Junkers, however, also dominated the country politically. Germany during the period of imperialism could not be considered a purely bourgeois state—it was a state of the nobility and the bourgeoisie, the two classes sharing the power. It was the Junkers who pushed Germany forwards in its aggressive policy and demanded a solution to the agrarian problems of German imperialism at the expense of neighbouring countries. They demanded that land be seized in Poland, the Baltic states, and the Ukraine, in Africa and elsewhere. The Junkers tried to save their domains. They strove to make other countries pay for German imperialism's agrarian contradictions. The German imperialists believed they had every right to destroy neighbouring peoples simply because German industry was developing fast and raw materials and foodstuffs were required for industrial undertakings. The domination of the Junkers also made German imperialist policy particularly aggressive.

Moreover, Prussian traditions of militarism, which had long since been cultivated in Germany, were also of significance.

As early as the end of the Middle Ages, Germans often served as mercenaries for the kings of France, England,



Spain and other countries. Germany's knights, who were in a bad way economically by this time, served as Landsknechts — the terror of Europe.

These militarist traditions were retained into the 19th century; they constituted a political reserve of German imperialism and fanned the flames of all sorts of chauvinist demagoguery.

A certain role was played by the victory in the Franco-Prussian war, which was a clear example to the German philistines of how profitable a war could be for Germany. The plunder of France cost very little and was an inspiration to the German chauvinists.

*10. Colonial seizures.* In the pursuit of plunderous goals, at the end of the 19th century Germany adopted an aggressive imperialist policy, which had already been determined by the 1870s. As early as 1875, Bismarck tried to organise a second defeat of France in order to put it permanently out of the game.

Later, Germany began setting up imperialist blocs, spearheaded against its neighbours. In 1879 a union was concluded with Austro-Hungary against Russia, to be joined in 1882 by Italy. Thus emerged the Triple Alliance, which played an ignoble role in the preparations for the First World War.

The Triple Alliance of Germany, Austro-Hungary and Italy directed its thrust against Russia, on the one hand, and France, on the other, so it may be stated that German imperialism initiated the diplomatic preparations for the First World War by setting up this alliance. Subsequently, this bloc also served as the diplomatic basis for the foreign policy of Germany and Austro-Hungary, not only at the end of the 19th, but also at the beginning of the 20th century. Relying on the Triple Alliance, in the early 1880s Germany launched colonial aggression. It participated in the division of Africa, making use of the colonial initiative of the Bremen and Hamburg merchants and the German capitalists. The penetration of African territory began with all sorts of commercial venture, as a result of which, in 1884-1885, Germany seized extensive territories in South-West and South-East Africa. In 1884, for instance, the German government established a protectorate over the colony of Angra Pequena on the South-West coast of Africa, which had been founded by the Bremen merchant Adolph Lüderitz. The declaration of a protectorate over Togoland

and Cameroons followed, for which purpose the intrigues of the Hamburg firm Woermann were used. At the same time, the Germans occupied the northern part of the island of New Guinea, as well as several small islands. In 1885, a protectorate was established over a considerable territory in East Africa, which had been acquired by the notorious Deutsche Kolonialgesellschaft.

The German Reich acquired new colonies, but this was not enough for the German imperialists, who were stretching out towards the Far East. German imperialism participated in the division of China. In 1897, Germany seized the bay of Jiaozhou in the Shantung territory and set up a military base there. In fact, it occupied the entire province of Shantung, with its natural riches and population of many millions. German imperialism was one of the predators that robbed the Chinese people.

At the same time, the German imperialists took advantage of Spain's difficulties after the Spanish-American war, which showed that Spain was in no position to defend Magellan's legacy in the Pacific Ocean. In 1899, therefore, Spain had to sell Germany its islands in the Pacific cheaply. These included the Marianas and Carolines. Otherwise, the Americans would have seized them anyway, like the Hawaiian Islands, the Philippines and other territories.

In this way, German imperialism seized colonial territories wherever there was anything available. Before the 1914 war, Germany already had 2.9 million sq km of colonial possessions, with a population of 42.3 million people.

These territorial seizures did not, however, satisfy the greed of the German imperialists, who demanded more and oriented themselves on a redivision of colonial empires.

Lenin made special note that, in the age of imperialism, France seized more than Japan and Germany together, while Britain and Russia had vast empires.

The uneven colonial acquisitions thus gave rise to a complex knot of imperialist contradictions. The struggle for colonial reserves of imperialism also served as the chief precondition for the First World War which broke out in 1914. German imperialism was preparing actively for war, thereby speeding up its outbreak.

*11. Preparations for the First World War.* The 1914 war had been building up for decades and the preparations for it were disguised by all sorts of pacifist phrase-mongering and trite demagoguery.

The Triple Alliance of Germany, Austro-Hungary and Italy appeared as early as 1879-1882, and the Franco-Russian Treaty in 1893. By the 1890s, the German General Staff had elaborated the so-called Schlieffen Plan, providing for the defeat of France before Russia could mobilise its army (during the first month of war), and then the defeat of Russia.

Decisive agreements and military blocs were created at the beginning of the 20th century. The most important factors in these preparations were the contradictions between British and German imperialism. They were hidden, however, behind other conflicts and contradictions, that were in fact of secondary importance.

The basis of everything was the struggle waged by Britain for its colonial empire and elimination of German competition and, on the other hand, that waged by German imperialism for a redivision of colonies.

The relations between Britain and Germany deteriorated sharply in the late 1890s, the first external manifestation of this conflict having been the abortive British attack on the territory of the Transvaal Republic of Boers. Wilhelm II sent a telegram to President Kruger at the time, expressing his satisfaction that the matter had not required the intervention of the great powers. This was an openly hostile action by Germany against Britain, and it caused a real commotion in Europe.

In 1898, Germany began building up its navy, to challenge Britain's right to domination of the seas. The rivalry at sea increased more and more, especially after 1905. Britain began building dreadnoughts, the latest type of armoured liners. Germany followed this example and, in 1908, already had nine, against Britain's twelve dreadnoughts. Later, the German militarists planned to build four such liners a year.

From 1904 to 1907, the notorious Entente or so-called Tri-partite Agreement was formed, as a military bloc of Britain, France and Russia. Europe was split into two armed camps, and the outbreak of war was only a matter of time. The question was simply which side would benefit from putting off the war and which one should speed up events in order to win the coming confrontation. The Entente believed it would benefit from a delay, so much was spoken hypocritically about pacifism, appeasement, all sorts of conferences and peaceful resolutions of conflicts. In parti-

cular, Britain itself had only a small land army and needed some time to increase it, while the French army needed modernisation, especially with respect to armaments. As for Russia, after the shock and disruption caused by defeat in the Russo-Japanese war and the 1905 revolution, it was in no way ready for a war. Only tsarist adventurism, and also financial dependence on France and Britain, pushed Russia into the arms of the Entente and turned the country into an enormous reserve for Western imperialism.

Germany, on the contrary, believed itself quite ready for a war, so it speeded up the outbreak of hostilities. At the same time, repeated attempts were made to test the strength of the Entente, to split it and detach Britain's allies, in order to isolate British imperialism. On this basis, certain conflicts arose that speeded up the outbreak of war in 1914.

From 1905 onwards, Europe lived virtually under threat of war. The contradictions were greatly aggravated by the territorial seizures made by the French imperialists in Morocco. The German imperialists also claimed a share of the spoils in Africa. So, on March 31, 1905, the German Kaiser Wilhelm II arrived unexpectedly in Tangiers, Morocco and made a militant speech there in support of Moroccan independence and the flourishing of the German Reich. In fact he threatened France with war.

The so-called First Morocco Crisis broke out, bringing Europe to the brink of war. Germany found out, however, that the Entente was a formidable military bloc, and that it would have to deal with all the members, not just France alone. For this reason, the conflict came to an end in 1906 with the Algeiras Conference on Morocco. This conference, held in Spain, ended in a victory for French imperialism: it formally declared Morocco's independence, and police power was allotted to France and Spain, but in practice to France alone. The Algeiras Conference thus virtually sanctioned French occupation of Morocco.

In 1911, Germany provoked a conflict in the imperialist camp, again over Morocco. In June of that year, the *Panther* gunboat, belonging to Germany, appeared on the Atlantic coast of Morocco in the Agadir bay. The so-called Agadir incident, or the Second Morocco Crisis broke out.

Germany demanded a redivision of the African colonies and openly threatened war. On July 21, 1911, however, Lloyd George gave a militant speech at an official lunch in London to the effect that Britain was prepared to go to



war on the side of France, if necessary. German imperialism was forced to back down temporarily, seeing that the Entente was firm.

Later, the political situation was aggravated more and more by a whole series of conflicts and contradictions, including the events in the Balkans, which reflected more serious contradictions in the imperialist camp.

In 1908, Austro-Hungary finally annexed Bosnia and Herzegovina, thereby arousing dissatisfaction among the Slav population.

This onslaught by Germanism in the Balkans greatly exacerbated the whole Balkans question.

On the other hand, a struggle was going on in the Balkans against Turkish dominion, which had become an anachronism and was completely unbearable. In March 1912, under the leadership of Russia, a bloc of Balkan countries was forged with the participation of Bulgaria, Serbia, Greece and Montenegro. Then, in October 1912, the Balkan countries unleashed an armed struggle against Turkey in order to eliminate its European possessions. Turkish resistance was weak and, by November 3, 1912, Turkey sued for peace.

Subsequently, however, sharp conflicts arose between the Balkan states themselves. The great power demands of the Serbian bourgeoisie spoiled everything: the Serbian nationalists called for the territory of Albania to be occupied, in order to gain broad access to the sea and expand Serbia's possessions. On the other hand, they claimed substantial parts of Macedonia from Bulgaria, and thus aggravated the political situation in the Balkans.

The result of this conflict was the emergence of an anti-Bulgarian bloc consisting of Serbia and Greece, with Turkey eventually joining too. The Serbian nationalists plotted with Turkey and, on June 29, 1913, the second Balkan War began, this time between the Balkan states themselves. The outcome was a defeat and a whole series of territorial losses for Bulgaria. Romania gained Dobrudja, Serbia the disputed parts of Macedonia, Turkey regained Adrianople, and so on. Subsequently, this prompted Bulgaria to form an alliance with Germany and take part in the First World War on the side of the Triple Alliance.

On the other hand, the strengthening of the Slav states in the Balkans eliminated Turkish dominion and Russia once again acted as liberator of the Balkan Slavs, as it had in the 19th century.

The outcome of these events pushed Turkey into an alliance with Germany, though it had already long since become a German colony, especially as a result of the building of the famous Berlin-Bucharest-Baghdad road, which ran through Turkey. Turkey became a real reserve of German imperialism, and German officers were sent to modernise the Turkish army.

The strengthening of the Slav states in the Balkans did, however, threaten the imperialist plans of the Austro-Hungarian monarchists and occupying forces, whose domination in Central Europe and the Balkan peninsula was threatened. In particular, the conflicts between Serbia and Austria became much fiercer, and these played a major role in the unleashing of the First World War.

Thus, in 1912-1913, just before the outbreak of war, the atmosphere among the imperialists became more and more heated. The Balkan question aggravated the situation and the Balkans became a powder-keg, about to explode at any moment. German imperialists sought a pretext for unleashing war, and one presented itself in 1914, again in the Balkans. By that time, preparations for war had almost been completed. Since 1911, the German Reichstag had increased allocations for the armed forces. The French parliament had established a three-year conscription instead of two, and this virtually increased the French army by 30 per cent. Military preparations were also underway in Britain and Russia, though they were only due to be completed by 1917 in Russia.

The pretext for the outbreak of the First World War was the assassination of Archduke Franz Ferdinand, the heir to the Austrian throne. He was killed on June 28, 1914, in the town of Sarajevo, by a Serbian student, who was an agent of a nationalist officers' organisation. This was used by German imperialism as a pretext for unleashing the First World War.

On July 5, 1914, Kaiser Wilhelm II received the Austrian Ambassador and, apparently, sanctioned Austria's maximum demands with respect to Serbia. In any case, the German General Staff were warned by the Kaiser of the possibility of war in the very near future.

After this, on July 23, the government of Austro-Hungary presented Serbia with the notorious ultimatum that acted as the signal for war, allowing only 48 hours for the demands to be satisfied. The ultimatum was clearly provocative.

In particular, it demanded that Austrian officials be allowed to participate in the investigations into the assassination, which was, of course, humiliating for the national sovereignty of Serbia and could not but shock public opinion all over Europe.

Although the Serbs accepted all these demands and asked only that the matter of the Austrian official's participation be considered by The Hague Tribunal, this did not satisfy the imperialists of Austro-Hungary. The German imperialists pushed Austro-Hungary into declaring war.

On July 28, 1914, Austrian troops began bombarding Belgrade, and this act initiated the First World War.

12. *The military aggression of German imperialism.* Russia supported Serbia against the Austrian aggression, so, by July 29, partial mobilisation was underway, and by the 30th this was virtually total. Mobilisation in Russia did not, however, halt the aggression of Austro-Hungarian imperialism. Moreover, on July 31, the German government presented Russia with an ultimatum that it halt mobilisation. Finally, in the early hours of August 1, 1914, Germany declared war on Russia. The first few days of the war presented a remarkable spectacle: Germany had declared war on Russia, but the German army, with all its artillery and ammunition, was moving not to the East, but to the West.

The fact was that, according to all the plans of the German General Staff, the German army had first to defeat France and only then take on Russia. The diplomatic struggle proceeded in such a way, however, that war was first declared against Russia, while apparently normal relations were maintained with France. Briefly, the German General Staff found themselves in the most absurd position. Therefore, in the first two days of August 1914, German diplomats sought for a pretext to declare war on France, too.

On August 3, mythical flights by French airforce over the Rhein Province were thought up. On this absurd pretext, Germany declared war on France. The German army was at last able to begin its evil work, which had been planned for decades on end.

The German army's invasion of the territory of Belgium was used by the British imperialists for presenting Germany with an ultimatum, on August 4, 1914. Formally, it demanded respect for Belgian neutrality and observance of the treaties then in force.

No reply was received, however, and in early hours of August 5, 1914, Britain declared war on Germany.

Thus began the First World War, a disaster for all mankind, during which ten million lives were lost, 20 million people were crippled and material wealth worth roughly 250 billion dollars was destroyed.

In its consequences, the First World War far exceeded all previous wars, including the Napoleonic ones.

The German chauvinists marched in August 1914 under the slogan "The War Over by the Autumn". They claimed they would be home before the leaves began to fall from the trees and winter set in. The infamous idea of the *Blitzkrieg*, later used by Hitler, was not in fact invented by him. It was current in Germany even during the First World War and was used to deceive all sorts of chauvinistically inclined sections of the population. Instead of eight weeks, however, the war lasted four whole years, and ended in the defeat of Germany and its allies.

13. *The reasons for Germany's defeat.* It is worth considering, in particular, the reasons for Germany's defeat in the war, as they explain much about the results of the Second World War, too, and about the role played today by imperialist wars in aggravating the contradictions of capitalism and hastening its end.

German imperialism, like that of the Entente, was seeking in the First World War for a military solution to its contradictions, including economic problems. Later, this was exactly what Hitler did in the Second World War, when he tried to solve the contradictions of German imperialism by means of genocide.

The policy pursued by American imperialism today is similar. It is trying to resolve its contradictions by means of perpetrating inhuman crimes in certain countries, and in preparations for a third world war.

The experience of the First World War showed that no military solution is possible to the contradictions of modern imperialism. War merely aggravates these contradictions, pushing imperialism towards disaster and bringing its collapse closer.

Today, American imperialists orient themselves on thorough preparations for war, on the production of cannon fodder and ammunition. They see this as a guarantee of a favourable outcome of a third world war, but it should be noted that German imperialism had been nurturing its



plans for whole decades before the outbreak of the First World War.

The Schlieffen Plan failed during the First World War, however, just as Hitler's schemes did during the Second. A fundamental role was played in this by the unexpected invasion of East Prussia by the Russian army under Rennenkampf and Samsonov which took place at the end of August. The estates of the German Junkers were threatened. East Prussia could not defend itself and the Russian army proved more efficient than the Schlieffen plan had suggested. The German Command was compelled, therefore, to throw several divisions on to the Eastern front and thus weaken its onslaught on France. This disrupted the Schlieffen Plan.

Subsequently, in spite of the loss of Poland, the Russian army held an enormous front from the Baltic to the Black Sea and stubbornly resisted German imperialist aggression. Moreover, in 1916, under the command of General Brusilov, the Russian army made a tremendous dent in the front, liberating the large territory of Galicia and striking a serious blow to the Austro-Hungarian and German troops.

The Schlieffen Plan clearly underestimated the might of the Russian army, even though its fighting capability was greatly reduced by a shortage of ammunition and by the treacherous policy of the Entente, which tried to win at the cost of the lives of Russian soldiers, while saving its own ammunition, with which it supplied Russia in only very small amounts.

At the same time, the Schlieffen Plan underestimated the military capacity of France, having counted on rapidly defeating its army.

Indeed, in August and then September 1914, the German army passed through Belgium and Northern France, to within a hundred kilometres of Paris. The French government had to evacuate to Bordeaux. In September, however, a fierce battle began on the Marne, and the German army, which suffered considerable losses, was forced to retreat. It became a war of positions that Germany had virtually lost already. A war of attrition began, all advantages being on the side of the Entente, which possessed extensive colonies and had the USA as a reserve.

The war showed that the German imperialists had overestimated their military and economic potential. A modern

war swallows up so much of all sorts of materials and food-stuffs that no stocks are adequate in the end.

Meanwhile, after the battle on August 28, 1914 with the British Navy near the island of Heligoland, the German Navy had to retreat and Germany was blockaded from the sea and cut off from the world economy. The consequences of the blockade had a growing effect on Germany and, in 1916, Germany and Austria began to starve. The population was receiving less than half the minimum of calories necessary if a person is to work properly.

Overestimation of Germany's military and economic reserves was characteristic of the Schlieffen Plan, as it was later of Hitler's military adventurism. The Schlieffen Plan did not envisage Britain's participation in the war on the side of France and Russia. It did not take account of the latest shifts in the political situation and in the imperialist camp. Yet Britain's entry into the war had dangerous consequences for Germany. Britain's land forces were not, it is true, very strong, but the British Navy ruled the seas, blockaded Germany and cut it off from the world economy.

Britain's entry predetermined Italy's fate. Italy was prepared to fight with any country but Britain, for it feared fatal bombardment of its unprotected coastline by the British fleet. After certain vacillations, therefore, in 1915, the Italian imperialists went over to the side of the Entente and even declared war on Austro-Hungary.

The main thing not provided for in the Schlieffen Plan, however, was the intensification of class contradictions. In 1917, an event of world-wide historical significance took place—the Great October Socialist Revolution, which had a tremendous impact on Germany, too. It weakened the imperialist system and made the first breach in it. The working masses of Germany, tortured by war and starvation, rose up; on November 9, 1918, a revolution began there, and German capitalism found itself on the verge of collapse. Only treachery on the part of the right-wing leaders of the Social-Democrats saved the dictatorship of the monopolists. They got away with just a fright and the essentially proletarian revolution ended in a farce of bourgeois parliamentarianism, which gave birth to the Weimar Republic. Boastful Kaiser Wilhelm II lost his throne, however, and had to escape to Holland.

The militarists, too, calmed down for a while and, on November 11, 1918, they asked the Entente for a truce.

14. *The economic condition of the workers.* In order to define more precisely the preconditions for the 1918 revolution and the reasons for its defeat, certain important factors characterising the economic condition of the workers in Germany and the development of the working-class movement should be noted.

It should also be stressed that, during the age of imperialism, the economic and class contradictions of German capitalism intensified greatly. In particular, economic crises gained strength at this time, breaking out regularly every decade. Germany's economy suffered serious crises in 1873, 1882, from 1890 to 1893, and a particularly deep one in 1900. The last one was distinguished by the fact that, by that time, the monopolies were already completely in charge. The crisis was a typical one for the stage of imperialism. Monopolies, of course, aggravate crises and the contradictions of capitalism; they hamper the end of the crisis on the basis of a renewal of capital. The monopolists resist the drop in prices and, as a result, the capitalist economy is unable to avail itself of the opportunities of ending a crisis that were usually presented in the 19th century. The 1900 crisis was therefore a protracted one in Germany and had serious consequences, particularly a 13 per cent drop in the output of iron ore and a 30 per cent fall in the consumption of iron and steel.

The crisis proved deepest and most protracted in heavy industry, this being characteristic of crises in the age of imperialism. At the same time, it also affected light industry: in 1901, textile output dropped by 16 per cent. The crisis was accompanied by mass bankruptcies and unusually high unemployment.

In 1901, among trade union members alone there were 500,000 officially registered jobless, but the true level of unemployment was, of course, higher and there are grounds to believe it stood at not less than 700,000. In particular about 30 per cent of the workers in the engineering industry were dismissed. In Berlin alone there were 92,000 unemployed.

The economic disaster of the crisis affected mostly the working class, which naturally resulted in the intensification of the class struggle in Germany.

At the same time, in the age of imperialism, Germany saw the mass ruin of the petty bourgeoisie. As already noted, in the 1870s-1880s, Germany's industrial revolution was

completed. The break-up of the old relations of handicraft production in Germany proceeded faster than, for example, in France. The mass proletarianisation of the petty bourgeoisie aggravated the class contradictions in the country.

The high concentration of industry in Germany provided the economic foundations for the political organisation of the working class. The economic condition of the workers deteriorated in the age of imperialism, even though the real wages of certain categories of skilled workers did go up somewhat over the last forty years of the 19th century. In the first decade of the 20th century, however, even these workers were no longer in a position to achieve any increases in their wages. Taking the working class as a whole, including unskilled labour, foreigners working in Germany, hired agricultural labourers, and workers in the so-called cottage industry system, who were brutally exploited, the wages of German workers actually fell under imperialist conditions. In addition, the workers' outlays went up in the context of strikes and unemployment, accidents and all sorts of deductions for insurance, etc., which actually reduced real wages.

The economic condition of the workers at this time was determined above all by a monstrous rise in the intensity of labour. Even though German businessmen lagged somewhat behind their American counterparts in this respect, the intensity of labour in Germany during the period of imperialism was growing extremely fast in industrial plants and factories. The rate of exploitation was much higher than in the previous period.

Beginning in 1852 and up to 1914, the productivity of labour of the German worker trebled on average. In 1914, the working class of Germany was creating three times more material output than in 1852, but this wealth fell into the hands of the German capitalists. The relative wages of German workers were steadily falling. As Jürgen Kuczynski's calculations, for example, show, before the outbreak of war, the German worker was receiving only a sixth or even an eighth of what he had received in the 1860s. Characteristically, the share of the working class in the national product also fell by 83 to 88 per cent over the half century preceding the war. The relative impoverishment of the working class was progressive and on a tremendous scale. At the same time, however, there was also an absolute impoverishment of the working class, if the top of the skilled workers are not



identified with the working class as a whole and account is taken of the monstrous growth of labour intensity, a whole series of other major circumstances and the rise in the cost of living typical of Germany in the age of imperialism.

15. *The working-class movement.* At the turn of the century, out of all the countries of Western Europe and America, the working-class movement was far better organised in Germany and, at the same time, was the most politically mature but it was still behind the working-class movement in Russia, which was the homeland of Leninism. The German working class headed the revolutionary movement in Western Europe and Marxism became much wider spread there than in France or Britain, to say nothing of the United States. Germany was where Marxism was born and during the 19th century its influence was growing among the working class, though it did come up against all sorts of petty-bourgeois trends such as Lassalleism. The so-called Gotha Programme of 1875 contained many serious shortcomings and was sharply criticised by Marx. Even so, a workers' party took shape and, as a result of a long struggle between the Eisenachs and Lassalleans, a strong Social Democratic Party emerged, led by August Bebel and Wilhelm Liebknecht, which, in the 1870s, 1880s and 1890s undoubtedly played a revolutionary role. At that time the Social Democratic Party of Germany might be said to have been the model party of the Second International.

In 1878, "exceptional laws" were passed in Germany against the Socialists, but the policy of repression merely served to purge the working-class movement of all sorts of careerist and brazen opportunist. This was a brilliant period in the history of the working-class movement in Germany but, by the end of the 19th century and especially at the beginning of the 20th, the situation changed fundamentally. An opportunist trend emerged in the working-class movement in Germany and in the Social Democratic Party in particular. It was represented mainly by so-called Bernsteinianism. In the late 1890s, Eduard Bernstein wrote in his demagogic book, entitled *The Preconditions for Socialism and the Tasks of Social Democracy*, to the effect that the economic condition of the workers improved under capitalism, that parliamentary methods were adequate for solving the fundamental problems of the working class, that revolution was not essential and that Marx had not determined the fate of capitalism correctly.

Bernstein was not resolutely rebuffed by the German Social Democratic Party. Only the Russian Socialists, Lenin and Plekhanov, did so, sharply criticising Bernstein's arguments.

Bernsteinianism was gradually to become fashionable among German Social Democrats: opportunist elements rallied around him and began to dominate by the time of the First World War, during which they betrayed the German working class. On August 4, 1914, the party voted in the Reichstag for war credits and, consequently, for Germany's imperialist programme. It was then that Rosa Luxemburg called it a rotting corpse, and she was later proved right.

The treachery of 1914 was a result of the preceding period in the development of German Social Democracy. As in France, Britain and the USA, a stratum of labour aristocrats and trade union officials was taking shape in Germany, and they nourished these opportunist trends in the Social Democratic Party. Opportunism took over the working-class movement and its organisational forms in the country. During the war years, genuine revolutionary elements under Karl Liebknecht and Rosa Luxemburg broke with the Social Democrats. New organisations had to be formed to fight against the bourgeoisie, while the Social Democrats clearly began to play the part of a left-wing bourgeois party.

16. *The specifics of Germany's economic development during the period of imperialism.* Let us sum up and pinpoint the characteristic features of Germany's economic development from 1870 to 1917.

1. After a long period of lagging behind, Germany joined the group of countries (the USA, Russia and Japan) undergoing an intensive industrialisation. It overtook all the other countries, apart from the USA, undermined Britain's industrial monopoly and rapidly increased its share of world industrial output. The urbanisation of the population advanced greatly and Germany became a country of towns.

2. A major role was played in speeding up Germany's industrialisation by factors connected with its foreign policy (the Franco-Prussian war, contribution), and domestic reforms of bourgeois essence, connected with the formation of the Second Reich. These reforms (as in Russia, Japan and the USA) were late in being put into effect, but still gave a major impetus to Germany's economic development.

Germany also used the advantages of new construction and even of the fact that the final stage of its industrial revolution was completed only in the 1870s: on this basis it became possible for industry to develop rapidly. Later, joint-stock forms of enterprise stimulated the mobilisation of capital, and a concentration and development of production, as they did in other countries.

3. In Germany, as well as the USA, the preconditions for monopoly capitalism took shape rather early, and it proved more mature than in other European countries at the beginning of the 20th century. The monopolies were in full control of Germany's economy. Here it was syndicates that seized the sphere of circulation, which became characteristic, while in the USA it was trusts that developed most and monopolised production itself.

4. German imperialism had a firm enough material base by the end of the last century, its strong aspect being the exceptional development of heavy industry. This constituted a major advantage enjoyed by Germany over Britain, France and Japan.

5. The economic expansion of the German monopolies was facilitated by the fact that, in many spheres of production, they monopolised technology, so the commercial plunder of economically backward countries (not excluding European ones) assumed broad scope. From the end of the last century the export of capital gained speed.

6. From the 1880s onwards, the German imperialists began establishing a colonial empire, orienting themselves on the division of Africa, a redivision of Britain's colonies, and the seizure of the eastern Baltic States, Byelorussia, the Ukraine and the Caucasus. This played a decisive role in the preparations for the First World War, which was an explosion of imperialist contradictions. The Kaiser's imperialism was distinguished by the fact that the struggle for colonies was combined with attempts to create a mighty empire in the centre of Europe, mainly at the expense of tsarist Russia.

7. German imperialism was the most rapacious and aggressive, the reasons for this being industrial supremacy, Prussian traditions, the Junkers' political domination, and a desire to make use of agrarian contradictions for the purpose of territorial expansion. Military-feudal imperialism became possible in Japan and Russia, but in Germany it was

bourgeois-Junker imperialism that prevailed. Old forms were filled with new content.

8. Agrarian contradictions were engendered by the fact that the development of capitalism in Eastern Germany proceeded, as Lenin showed, in a land-owner's rather than a farmer's way. In Germany (and not only Russia and Japan), large-scale land-ownership held back the development of the productive forces and considerable areas were excluded from agricultural use: country houses, parks, hunting reserves. The struggle for land gained in intensity and, in order to save their landed property, the Junkers tried to "export" the agrarian contradictions and solve them by plundering neighbouring countries. A farmer's way of agricultural evolution was characteristic of South-West Germany. This intensified the struggle for land even further. There was no unified agricultural evolution (as in the USA and Russia).

9. In contrast to the USA, Britain and France, elements of state capitalism were strong in Germany under the Kaiser. As in Japan and Russia, the state owned the railways and munitions factories, and granted subsidies. The policy of protectionism was pursued consistently and more resolutely than in Britain and France.

10. The First World War provided a mighty impetus to the formation of state-monopoly capitalism. It became most developed and mature in Germany.

11. The rapid development of industry, the accelerated formation of the working class, the intensification of its exploitation and the aggravation of the contradictions of capitalism prepared for the exceptionally extensive development of the working-class movement. At the end of the 19th century, it was the most massive, organised and politically mature working-class movement in Western Europe.

12. The revolutionary ideas of Marxism became widespread in Germany, and this predicted the victory of a proletarian revolution. Later, however, reformism triumphed, as a reflection of the selfish desires of the "labour aristocracy" and petty-bourgeois elements, poisoned with chauvinism. In August 1914, the right-wing leaders of the Social Democrats betrayed the proletariat's cause, joined forces with the imperialists and, even after the defeat of Kaiser's Germany, did not take advantage of the situation in the autumn of 1918 to ensure the victory of a proletarian revolution.



### BRITISH COLONIALISM. MONOPOLIES AND BOURGEOIS PARASITISM IN BRITAIN

*1. Britain's industrial lag.* By the early 1870s, Britain had achieved the greatest successes in its industrial development and it was a real "factory of the world". In 1872, it accounted for 50 per cent of the world output of hard coal and pig iron, and over half the cotton processed. Britain's ship-building industry produced almost 90 per cent of the increment in world tonnage. London was the chief credit centre, its world capital. Britain's share in world foreign trade reached two-thirds and reflected the exceptional scope of the British bourgeoisie's economic expansion by that time.

Later, however, Britain began to lag behind, and this became characteristic of the period of imperialism.

By the end of the 19th century, Britain's share in world industrial output had dropped sharply: it was producing only 25 per cent of the world's pig iron, 27 per cent of the textile goods, and so on, and its share in world exports had fallen. By 1914, British industry's share in world industrial output had dropped to 20 per cent.

The reasons for this important process are very varied, including some external ones. Britain's industrial monopoly was undermined by the intensive industrialisation of the USA, Germany, Russia and Japan. New centres of industrial production grew up and began producing vast quantities of goods. Their creation was also furthered by British capital. Britain made extensive use of the industrial development of other countries to expand its exports (particularly of machinery). It even participated in building the German fleet by providing the first ships for it. Before the First World War, Germany was one of the best customers for British exports, being in second place after the USA in this respect. Later, however, the industrialisation of other states turned against Britain, undermining its industrial monopoly. By 1886, German competition was a real threat to British

industry and became more and more dangerous. German goods even penetrated Britain's own market.

In 1887, in order to prevent this, an act was passed that all German goods should have "Made in Germany" stamped on them. The idea was to organise a boycott, but it failed. German goods, like American ones, were cheaper than British output.

As early as 1894, the British iron and steel industry relinquished pride of place to the American and the German ones. The rate of industrial development of other countries was faster. Over the first ten years of this century, the amount of cotton processed in Britain increased by 600,000 bales, and in other countries by 5.5 million. From 1880 to 1913 pig iron output in the USA rose from 3.8 to 30.8 million tonnes, and in Britain only from 7.8 to 10.6 million tonnes.

The law of the increasingly uneven development of capitalism in the age of imperialism, as discovered by Lenin, told sharply in this. The factors that were behind this process revealed the deep-running contradictions of monopoly capitalism. The monopolies speeded up the concentration of capital, the creation of huge plants and factories, the redivision of sales and raw material markets and this made the development of individual countries more uneven. Meanwhile, Britain was way behind Germany and the USA in the development of the monopoly system of capitalism, its industry remaining less concentrated.

Moreover, contradictions appeared in connection with the export of capital, which helped Britain plunder other countries, but ultimately created rivals for it.

Why, however, did Britain begin to drop behind precisely when other countries were starting to develop their industries intensively? There were evidently internal reasons of decisive significance for this, engendered by British capitalism.

In the final analysis, they were all connected with the decay of British capitalism. The dominion of capitalism was established in Britain earlier than in other countries, and its contradictions were more developed than elsewhere by the beginning of the age of imperialism. It was not by chance, therefore, that the decay of capitalism was first observed precisely in this country. British capitalism lost its vigour earlier than that of other countries and its development rate began to fall sooner. The figures are quite eloquent on this: from 1815 to the early 1870s, the annual increase in

Britain's industrial output was 3.4 per cent, but from then till 1914—only 1.7 per cent. This sharp drop in the rate of industrial development testifies that British capitalism had basically exhausted its economic potential and, at the stage of imperialism, had become reactionary. It was already acting as a brake on the development of the productive forces. Britain could not make full enough use of its material resources.

There was also technological stagnation. Capitalism slows down technical innovations and makes the wave of inventions fall off markedly. In Britain, it is true, major inventions were still made (the Thomas and Gilchrist methods in the iron and steel industry, the steam turbine, the pneumatic rim and others), but fairly infrequently, and sometimes they were not used at home but went abroad, to find application in Germany and the USA. The modernisation of equipment proceeded very slowly. Electrical engineering was introduced only slightly and this was partly because electricity generated by small power stations was dear. In some industries (such as the coal industry), labour productivity was falling.

The basic reason was that, over the protracted development of the factory capitalist system in Britain, a considerable amount of old equipment accumulated in obsolete factories. In order to install new machinery, huge amounts of old equipment simply had to be thrown away and out-of-date premises even had to be pulled down. This, however, meant the loss of substantial share of the fixed capital. Thus, bourgeois property came up against the development of the productive forces, the reactionary nature of capitalism being revealed very clearly in this. At the end of last century, Britain could no longer take advantage of new construction, while Germany and the USA still could. The economic bounds of capitalism made themselves felt in Britain earlier and more clearly than elsewhere.

Britain's very monopoly position on the world market gave an impetus to the decay of capitalism in the country. Substantial elements of imperialism appeared in Britain before they did in other countries. This was established by Lenin who, in his article "Imperialism and the Split in Socialism" (October 1916), wrote that Marx and Engels had not lived to see "the imperialist epoch of world capitalism, which began not earlier than 1898-1900. But it has been a peculiar feature of England that even in the middle of the

nineteenth century she already revealed at least *two* major distinguishing features of imperialism: (1) vast colonies, and (2) monopoly profit (due to her monopoly position on the world market)."<sup>1</sup>

Consequently, monopoly profit was gained by British factories even before the appearance of cartels, syndicates and trusts. This led, however, to a weakening of the incentives to technical progress. Under the conditions of industrial monopoly, high profits were guaranteed and modernisation of production technology ceased to be an economic necessity.

It should be stressed in particular that Britain's monopoly on world markets was strengthened by its monopoly of the exploitation of many colonies. For several centuries the colonies had provided valuable raw materials, sales markets and enormous capitals. All this had speeded up Britain's industrial development. At the end of the 19th century, however, dangerous rivals appeared. Technology needed to be modernised if they were to be fended off. But British manufacturers could sell off in the colonies any stale goods. They were used to enjoying a colonial monopoly, which guaranteed them high profits even when old equipment was being used and production costs remained at their traditional high level. The colonial regime began to take its revenge on Britain itself, by slowing down the development of its productive forces.

The export of capital also exerted a detrimental effect on their development. In the age of imperialism it reached tremendous proportions and British capital sought investment spheres overseas, especially in the colonies. This, however, narrowed industry's financial base. Considerable capital investment was required for modernising the technology of industrial production, but British capital was used in other countries for all sorts of speculative purposes, thus providing high profits without British industry itself being developed: it thus ceased to be an economic necessity.

The decay of British capitalism gained impetus together with the expansion of the export of capital. Parasitism became systemic. The British bourgeoisie lost their production functions, of which they had been so proud since the time of Adam Smith. Rentiers, leading a purely para-

<sup>1</sup> V. I. Lenin, "Imperialism and the Split in Socialism", *Collected Works*, Vol. 23, pp. 111-12.



sitic existence, appeared in large numbers. Britain was becoming the classical rentier state. Lenin studied this in detail, noting that, at the end of the 19th century, the incomes of British rentiers were five times greater than incomes from foreign trade, the number of rentiers reached the million mark, and the share of workers, engaged in the key industries, in the total population fell. In 1851, the figure was 23 per cent, but, in 1901, it was only 15 per cent. Lenin pointed out the important fact that, from 1865 to 1898, Britain's national income only doubled, while its overseas incomes rose ninefold. Rich Britons spent 14 million pounds a year on horse-racing and fox-hunting alone.<sup>2</sup>

The ever-widening gap between exports and imports was a clear manifestation of "imperialist parasitism", as Lenin called it. In the early 1870s, the British balance of trade was £60 million in the red, but by 1913 the figure had risen to £158 million. This was covered by "invisible incomes", above all overseas investment, which usually brought in 5 per cent interest a year, and that in gold mines even 9.3 per cent. Commodity exports paid for roughly 70 per cent of British imports before the First World War. British trade acquired a usurious nature and became reminiscent of the Roman. The British bourgeoisie stepped up their slave-owning methods of exploiting their "provinces", making broad use of political occupation and money-lending.

2. *The agrarian problems of British capitalism.* The rate of industrial growth in many countries often depends on their agricultural reserves. The expansion of American industry at the end of the 19th century, for instance, was based to a considerable extent on the USA's agricultural reserves, which had been extended as a result of the American Civil War (1861-1865). As already noted, agricultural preconditions played a very important role in the history of the industrial revolution, but the situation was different in the age of imperialism. Britain's agriculture was going through a deep and protracted crisis, which was exerting an unfavourable influence on industry. The decisive role in this was played by the world agricultural crisis that began in the early 1870s and continued to the mid-1890s, the appearance of American wheat on European markets being an external cause of this. There was an eightfold increase in

<sup>2</sup> See: V. I. Lenin, "Imperialism, the Highest Stage of Capitalism", op. cit., pp. 278, 281-82.

imports of American wheat to Britain from 1866 to 1873 (from 10.8 million to 90.4 million bushels), but the fundamental reasons for the agrarian crisis were the contradictions of capitalism. Not by chance did this become a world crisis, closely intertwined with the protracted crisis of overproduction in industry, which was characteristic of the 1870s.

It had already made itself felt by 1874 in Britain, and in 1879 assumed very acute forms. The situation was made worse by the fact that agriculture in Britain, more than in other countries, was suffering under the yoke of land rent, which was high and levied strictly. Britain had to pay for the domination of landlordism, the reactionary role and parasitic essence of which became self-evident. The decay of capitalism in British agriculture may be said to have gone further than in industry even by the end of the 19th century.

In 1860, agriculture in Britain provided half the country's wheat and meat requirements. In 1869, 3.4 million acres were under wheat, which was the chief agricultural product (in 1870, the total cultivated area was 13,646,000 acres). Later it gradually diminished. Suffice it to point out that, in 1949, the area under wheat in Britain was only 2 million acres. Under pressure from the agrarian crisis, the country's agriculture became increasingly degraded. It could not stand up to the onslaught of American competition and the effects of the rent system. Every acre was burdened with the payment of rent, tithes, local taxes and so on. Meanwhile, in the 1870s it cost less than a shilling a bushel to transport wheat from Chicago to Liverpool. The yield per acre could be transported over this considerable distance for only a fifth of the cost of the fertilisers required in Britain for the same area. British agriculture could only be profitable if the harvest was worth at least £5, while in the USA, where land rent was less of a burden, \$14-15 an acre was enough. In 1882 and 1897, government investigations were undertaken to clarify the situation and suggest suitable measures. The prices of farm produce continued to fall, however. From 1848 to 1868, a quarter of wheat cost an average of 52 shillings, but from 1893 to 1902 the price was only 27 shillings. After 1874, Australia, New Zealand and South America began to supply meat in refrigerator ships, so the price of beef fell by 29 per cent between 1871-1875 and 1894-1898. British agriculture was even losing the role it had played in the mid-19th century. In 1913, it was producing only 190 million pounds worth of output, while

farm produce worth 220 million pounds was being imported. The country produced only enough grain for a fifth of a year. Moreover, arable land was being turned into pasture, and parks and hunting grounds were being set up for the aristocrats. Agricultural innovations did not help either. The agrarian crisis in Britain continued until 1900, though this time, it is true, the land-owners themselves also suffered. From 1879 to 1894, the fall in land rentals amounted to 11,533,000 pound sterling, the drop being one of 22 per cent over the last thirty years of the 19th century. British capitalism was losing its agricultural base: in 1871, 996,000 workers were engaged in Britain's agriculture, but the 1891 figure was only 798,000. In 1911, agriculture provided only 8 per cent of the national income. Britain's agrarian base shifted overseas (to Canada, Australia, New Zealand and South Africa), and this made the economic system of British capitalism even more unstable. Its industrial colossus was built on sand, as became evident during the First World War. The balance of payments problem intensified. The drop in the rural population's purchasing power aggravated export problems, exports having to be increased for industrial output to be realised. The raw material base of British industry was also partly disappearing, though for some branches it had been of primary significance for centuries. The parasitical system of landlordism gained strength and accelerated the decay of capitalism in Britain.

3. *The dynamics of industry and changes in its structure.* The decay of British capitalism did not, however, mean its automatic collapse or a complete halt to the development of the productive forces. British industry lagged only relatively, not in absolute terms, and this did not develop into complete stagnation.

In the age of imperialism, Britain's industrial production continued to grow: there was a rise in output, technical and economic shifts took place, the structure of industry was changing and new types of production emerging. This was because the world market was expanding, exploitation of the workers remained the chief source of wealth for the British bourgeoisie, the colonial empire could not be saved and the exploitation of other peoples would have weakened without a developed industry. The build-up of a mighty fleet would have been slowed down, and without this Britain could not dominate or plunder its colonies. The British bourgeoisie had long since had a vital interest in the develop-

ment of industry, otherwise German and American competition would have been shattering and the British imperialists would not have been able to maintain their international positions.

Between 1873 and 1896, therefore, Britain's coal output increased by 53 per cent, that of pig iron by 32 per cent, of steel by almost 500 per cent, the net import of cotton by 20 per cent and of wool by almost 100 per cent. From 1870 to 1900, ship-building output quadrupled and railway revenues increased by 130 per cent. Meanwhile, the population of Britain increased by only 31 per cent. In absolute terms, the output of coal went up from 124 million tonnes to 202 million, that of pig iron from 6.5 to 8.5 million tonnes, and that of steel from 500,000 to 4.2 million tonnes.

Consequently, during the transition period to monopoly capitalism, industrial production in Britain was growing quite intensively in some industries. A clear example was the tremendous increase in the amount of steel smelted. It replaced iron more and more and was of exceptional importance for the development of the engineering industry. There was a sharp rise in the number of ships built and this brought a radical change to the structure of the British fleet.

Later, in the early 20th century, Britain's industry continued to increase its output. In 1913, the output of hard coal reached 287 million tonnes, of pig iron—10.6 million, of steel—7.66 million tonnes. In the early 1880s, Britain had 41.5 million spindles in its cotton industry and in 1910—56.25 million. The number of looms rose by 23 per cent from 1900 and reached 800,000 in 1913. In 1914, 4.25 million bales of cotton were processed. Britain's position was particularly strong in the ship-building industry. Before the war, in 1914, 60 per cent of all the new vessels built in the world came from British shipyards. Together with its dominions, Britain possessed 21 million of the total world tonnage of 49 million tonnes. The net income of British shipping reached £94 million in 1913. The British flag still dominated the sea-lanes.

During the period of imperialism, major changes of a technical and economic nature took place in British industry as in other countries. These included, above all, the extensive use of the Bessemer process for smelting steel. By 1900, steel was being used universally, and engineering and ship-building could develop on a firmer basis. In the 1880s, the electrical engineering industry began to grow up and, after



1900, the manufacture of artificial silk; the internal combustion engine was also finding application.

As the role of engineering grew, the structure of British industry changed more and more, and this meant a different structure of British exports. The share of cotton fabrics dropped: from 39 per cent in 1896 to only 31 per cent in 1913. In contrast, that of coal, pig iron, steel and machinery rose from 23 to 27 per cent. The structural shifts in industry also affected the professional composition of the population. In 1911, 85 out of a thousand males employed in England and Wales were working in the coal industry, 124 in iron and steel and engineering, and 97 in transport (primarily the railways). Only 99 of them worked in agriculture. That same year, industry provided 40 per cent of the national income.

4. *Concentration of production and the formation of monopolies.* Britain's industrial lag in the period of imperialism did not preclude the development of new forms of capitalist production. In the end of the 19th century, Britain also entered the phase of monopoly capitalism. The material basis for this was provided by the development of the productive forces noted above. It was accompanied by a concentration and centralisation of capitals, which also affected the organisation of production itself. Only large-scale factories and plants, capable of using new technology and cutting production costs, putting enormous quantities of output on the market and manoeuvring with enough capital, were now competitive.

A major role in the economic preparation for the monopolistic system of capital was played by joint-stock companies, which speeded up the mobilisation of the capital required for setting up giant enterprises, which were rapidly growing in number. In 1852, 165 companies were registered; in 1860—790, in 1864—997, from 1864 to 1869 an average of 642, and from 1880 to 1884—1,564. From 1864 to 1884, the volume of capital mobilised on average doubled (from £98,297 to £188,019). From 1885 to 1905, the companies grew even faster, mobilising bigger and bigger capitals. The legal foundations for this were laid as early as the mid-19th century when, in 1844, the process for registering companies was simplified and, in 1856, the principle of limited liability was applied to all registered companies. In 1858, this privilege became available for banks, too and, in 1862, for insurance companies. This proved a very flexible system

that played a major part in the centralisation of capital. In order to attract small capitals, Britain permitted the issue of one-pound shares. After 1880, the part played by joint-stock companies in industry grew rapidly. In the twenty years up to 1905, the paid-up capital of public companies quadrupled. They set up bigger enterprises than even industrial firms did. For example, in the textile industry in 1914, joint-stock companies were, on average, five times as big as private firms.

The increasing scale of production did not, however, take place only as a result of the formation of joint-stock companies. There was also an intensive concentration of industrial production ensuing from purely internal processes, above all the use of new technology. This was facilitated by competition and the capitalisation of profits. The large-scale factory continued to expand: in 1871, 88 per cent of all workers in the cotton industry were employed in factories, 78 per cent of those in the wool industry and 75 per cent in the metal industry. Later, in 1901, only 1.9 per cent of textile workers worked outside factories, 2.83 per cent of metal-workers, 7.26 per cent of wood-workers, and 10.54 per cent of the workers in the leather industry. This concluding stage in the expansion of the factory system speeded up the concentration of industrial production, providing a basis for the appearance of monopolies. The average industrial enterprise was steadily growing: from 1884 to 1911, the number of spindles in each Lancashire cotton mill doubled on average, and the number of looms also increased, though to a lesser degree. At the same time, from 1882 to 1913, the average productivity of furnaces more than doubled. In 1911, Britain's industrial enterprises (factories, mining and construction enterprises) were worth £688 million.

On this basis, the appearance of monopolistic associations became inevitable. The Salt Union was set up to ward off competition as early as 1888. It united all firms and controlled 90 per cent of the output. From 1886, British companies began to participate in the Dynamit-Nobel trust. Pricing agreements were already being concluded between mine-owners and railway companies. A major step in the formation of monopolies was made, however, between 1894 and 1896, when an association of pipe-making enterprises appeared in Scotland. It later merged with an English firm, to form a single new one. In the chemical industry,

a whole series of mergers took place, the result being Brunner, Mond and Co. and, later, Imperial Chemical Industries.

Monopoly-type associations also appeared in the cement and wall-paper industries. At the beginning of the century, associations of enterprises embraced the electrical engineering industry (cable-making) and others. Cartels like the North-West Company (1906) and the distillers' (1907) began to appear.

The Imperial Tobacco Company was also a monopoly, providing 50 per cent of British output in this sphere. In 1919, 93 associations of a monopoly type were recognised in Britain. The degree of monopolisation of production was sometimes very high. The thread trust, for instance, controlled a third of the output of sewing thread, owned £12 million capital and 16 factories by the end of last century. Some of these factories were in the USA, Canada, France, Spain and Russia. The firm paid dividends of 20 per cent. In 1897, a competitor appeared and an agreement was concluded between these two companies. The monopolisation of the railways went a long way, too: at one time there had been over a thousand railways in Britain, but by 1914 only eleven remained.

Monopoly associations did not, however, become so widespread in Britain as they did in Germany and the USA, and they began to develop 10 to 15 years later. The very forms taken by the British monopolies were less mature than the American trusts. The overall domination of one or two monopolies over an entire industry remained a rarity. The main reason for this was that the productive forces were developing more slowly in Britain and the concentration of production was held back. There were virtually no technical monopolies here, which greatly consolidated the positions of the German syndicates and American trusts. The raw materials came from the colonies, so it was difficult to monopolise them. The widely scattered coal and iron ore deposits in Britain itself had the same effect. The branch structure of British industry exerted an influence: the textile industry which occupied a position of exaggerated importance, was scattered among comparatively small factories. The monopolisation of light industry in general encounters more difficulties than that of other industries. Of major significance was also the fact that British industry worked more for export than did those of Germany and the USA; however, it is very difficult to monopolise a market, there

being a multitude of unforeseeable factors operating there.

The consequences of the industrial monopoly of the 19th century also had an effect. British manufacturers had become so used to it that they considered syndicates and trusts restricting their activities to be superfluous. The uncountable wealth of the colonial empire was available to British industrialists, and the monopoly of the exploitation of the colonies replaced, for British businessmen, the syndicates and trusts that the German plant-owners used to maintain their place in the sun and to try and get at the wealth of their colonial outskirts. Free trade traditions, which were deeply entrenched in Britain last century, were also of import here, but their impact has been exaggerated by bourgeois economists.

5. *The financial oligarchy and the export of capital.* In Britain, finance capital was developing more rapidly, even outstripping Germany, the USA and other countries, especially in the export of capital. Its financial potential proved to be enormous. Over the 19th century, the British bourgeoisie had accumulated huge capitals and the factory system for exploiting the workers brought in high profits. The manufacturers' profits were further raised by their industrial monopoly on world markets. They were enriched by exploitation of the colonies. Thus, a large quantity of "free capital" formed in Britain.

Many banks sprang up to mobilise it; by 1825 they numbered 800. Later, in mid-century, the rapid growth of joint-stock banks began. From the 1870s onwards, the cheque system was in wide use in banking, replacing the traditional discount of the first half of the century. The inflow of deposits expanded. As a result of the concentration of banking capital, a monopolisation of credit began, a major part in this being played by joint-stock companies. By the 1880s, the number of private banks had dropped to 172, while that of joint-stock ones had reached 91. Moreover, the joint-stock banks had bigger deposits than the private ones. As a result, five major banks began to dominate—the so-called Big Five. The Bank of England, with its constantly increasing might, was an important factor behind the monopolisation of credit.

Lenin noted that the deposits in Britain's banks increased by 180 per cent from 1880 to 1908. The deposits and banking capital were naturally used to finance industry, commerce, and colonial enterprises. British banking and industrial



capital also became more closely intertwined. Finance capital emerged (later to be thoroughly studied by Lenin). The dominion of the financial oligarchy was established, its dictatorship being concealed by traditional forms of parliamentarianism. Declarations by ministers and political gestures by liberals did nothing to change the actual situation. Until 1914, London was the world centre of finance capital. In 1910, almost 25 per cent of the securities in the world (142 billion francs worth out of a total of 600 billion francs) belonged to Britain.

The export of capital assumed a particularly vast scale. The abundance of free capital, stolen by the British bourgeoisie, constituted a major precondition for its export. It was used to step up the exploitation of economically backward countries and colonies. Britain's industrial lag narrowed the sphere for the internal investment of capital, though its export increased this lag even more. Lenin showed that the age of imperialism in general was characterised by capital exports, in connection with the intensification of capitalism's market contradictions, the increase in its financial resources and the growing struggle for colonies and exploitation of the agrarian outskirts. Britain began exporting capital before other countries (Germany and the USA), and by the mid-19th century big British capital had been invested in South America, the colonies and the USA.

In 1871, overseas investments of British capital were estimated at £800 million and in 1875 at £1.2 billion, the usual return being 6 per cent per annum. The transition by many countries to gold money created favourable conditions for the export of capital. In the 1870s, over half Britain's capital went to other countries in the form of government loans. Later the scale of capital exports grew rapidly and, by 1890, the income from them reached £91.5 million. In 1913, Britain's overseas investments reached the astronomical sum of £3.5 billion, just under half of this in the colonies and dominions. Before the 1914 war, the amount of capital exported each year was at the £180-190 million level.

Imperialism's financial tentacles grasped the whole world. The exploitation of other peoples was not confined to the sphere of trade. It became systematic and was also transferred to the sphere of production.

6. *Colonial expansion. The specifics of British imperialism.* Britain's colonial expansion was on a tremendous scale

by the turn of the century. This seems strange, since the country's industry was developing quite slowly and, by the early 1870s, the British bourgeoisie already had an enormous colonial empire at its disposal. It is well known that the aggressiveness of German imperialism was stimulated precisely by the tremendous growth of German industry and the relative shortage of colonial raw materials and sales markets on the colonial outskirts. British capital, on the other hand, had a surplus of *Lebensraum* in the colonial legacy of the 16th to 18th centuries. Germany's colonial expansion was encouraged by the monopolies, but in Britain they appeared later, only at the end of last century, while the country began seizing colonies at an earlier date.

The reasons for this should be sought in the specifics of the history of British capitalism, in which the colonial system played a quite exceptional role. In the age of imperialism, this role even increased, so Lenin described British imperialism as colonial. Britain was oriented on a colonial solution to its economic problems and the country's bourgeoisie had long since been aware of the value of the colonial empire. Historical traditions also exerted an impact. The British fleet's domination of the sea-lanes facilitated the colonial plunder and, moreover, the British imperialists tried to compensate for the weakening of the country's industrial positions by expanding its colonies. British capitalism's economic contradictions were thus transferred to the international arena. The British bourgeoisie attempted to overcome them by robbing other nations, and colonialism proved to be British imperialism's biggest reserve. This encouraged Britain's aggressiveness against the peoples of Africa and Asia at the end of the 19th and the beginning of the 20th century. A tremendous role was played in this by the export of capital, which had more need of political guarantees than commodity exports did. Trade can be cut off at any time and without any major losses; the merchants can send new batches of goods to other countries and sell them there. But the withdrawal of exported capital is an extremely difficult matter, usually accompanied by major losses and a depreciation of investments. Political dependence of the colonial type created favourable conditions for the profitable investment of exported capital, so the occupation of whole countries became very pressing. Since Britain was ahead of the other countries in the export of capital, it was essential for it to step up its colonial policy. Moreover,

the British imperialists tried to overcome class contradictions at the expense of the colonies. They were aware of the fact that the Empire was a bread and butter question and that to avoid a civil war at home they must become imperialists. Such views were propagated, for example, by Cecil Rhodes, who was a colonial adventurer of large calibre and clearly expressed the class interests of the British imperialists. Joseph Chamberlain developed similar ideas. The colonial expansion was encouraged by the struggle to save capitalism.

At the end of last century, Britain entered the phase of monopoly capitalism. Monopoly domination was established and these associations worked for a redivision of the world and greater colonial expansion. Their clashes with their German counterparts speeded up the rate of colonial seizure. Many territories were occupied by Britain at the end of the 19th century and beginning of the 20th merely in order to forestall seizures by Germany. When sanctioning colonial wars, the British parliament was merely showing its servility towards the monopolies and the financial oligarchy.

Britain's colonial expansion was also accelerated by the foreign political contradictions of monopoly capitalism. Lenin gave a profound analysis of this in his work *Imperialism, the Highest Stage of Capitalism*, in which he noted that, in 1876, Britain possessed 22.5 million sq km of colonial territory, with a population of 251.9 million. Later, in 1914, the area of British colonies was 33.5 million sq km and their population—393.5 million people. Consequently, over a comparatively short period of time (a total of only 38 years), colonial possessions expanded tremendously, constituting a real leap in the development of the British Empire, which now stretched to five continents and provided the British imperialists with enormous opportunities. Britain's colonial expansion was inseparably linked with the export of capital. Lenin remarked the important fact that, in 1904, Britain owned 50 colonial banks with 2,279 branches, while in 1910 the respective figures were 72 and 5,549. He compared the population of Britain with that of its colonies. Since, in 1914, there were only 46.5 million people living in Britain, it worked out that every British "democrat" had 8.5 slaves working for him from the moment he was born. Britain had colonies even in Europe and Lenin pointed out that Portugal had been under a British protectorate for over 200 years,

regardless of its formal independence. The exploitation of long-suffering Ireland also continued.<sup>3</sup>

During the period of imperialism, Britain was the chief participant in the division of Africa, which was speeded up by the building of the Suez Canal. Built by Egyptians and opened in 1869, the Canal became a major artery of world and British trade. In 1879, ships with a total tonnage of 2,263,000 tonnes used the canal; in 1889—the figure was 6,783,000 tonnes. For this reason, the British imperialists put the seizure of the canal on their agenda. In preparation for this, in 1875 the Disraeli government bought up £4 million worth of shares in the Suez Canal, this being half the total. Then financial control over Egypt was established, and financial exploitation of the fellahin began. In 1878 Cyprus was seized and became a major British base on the approaches to Egypt. The annexation of Cyprus was hypocritically justified as defence of Turkey from foreign enemies. The British imperialists' logic was astounding: they defended other countries by... dividing them up. A few years later, in 1882, Egypt was occupied as a simple appendage to the Suez Canal. Then came the turn of the Sudan, but it took a long time to subdue this country. In 1884, the people rebelled under Mahdi and only by demonstrating incredible cruelty did the British colonisers manage to put down the uprising and occupy the Sudan. This was achieved, however, only in 1898.

The agents of British imperialism still defend its colonial legacy in democratic terms, yet there can be nothing in common between the colonial robbery perpetrated by British capital and genuine democracy.

Another sphere of British colonial expansion in the age of imperialism was South Africa, the point of departure being the Cape colony, seized back in 1806. At the end of last century, the discovery of diamond and gold deposits in South Africa added impetus to the aggressive policy pursued by the British colonisers. The infamous Rhodes began to play a major role. Colonial pirates reminiscent of Cortés and Pizarro appeared on the scene. Under Rhodes' leadership, vast territories in South-East Africa were taken over and renamed Rhodesia—a new British colony (1889). In order to suppress Boer opposition and take over all

<sup>3</sup> See: V. I. Lenin, "Imperialism, the Highest Stage of Capitalism", op. cit., pp. 258-63.



South Africa, in 1899 the British imperialists unleashed a war, counting on an easy victory. The Boer War lasted three years, however, costing £250 million, and requiring the participation of a 450,000 strong army. It ended only in 1902, but the result was that British imperialism became entrenched on the African Continent. The South-African Union was created and was to become a torture-chamber of plantation slavery, racial discrimination, rabid colonialism and a source of high profits for the British monopolies.

At the same time, the British imperialists expanded their colonial possessions in Asia, too. They took an active part in the enslavement and division of China and, having seized the port of Wei-Hai-Wei (in May 1898) and established control over the basin of the River Yangzi, made the whole of central China their own "sphere of influence". Relying on India, in the 1870s and 1880s Britain waged a fierce struggle to occupy and plunder Afghanistan, but the war waged from 1878 to 1880 did not have sufficiently reliable results. The people of Afghanistan rebelled against the colonial yoke and the struggle went on. The enslavement of Iran was stepped up. The British imperialists were trying to turn it into a semi-colony and, by the end of the century, this had been achieved. In 1907, the British colonisers became established on the Bahrain, and a British naval base was set up there. According to the Anglo-Russian convention of 1906, Southern Persia was officially recognised as a "sphere of influence" of British imperialism and Persia's oil resources fell into British hands.

7. *The exploitation of India. The system of dominions.* The period of imperialism saw a sharp intensification in the exploitation of India by the British colonisers. India had long since held an exclusive place within the British Empire and was called the "pearl in the British crown". In 1877, British satraps declared Queen Victoria Empress of India, though she had no real power in Britain. This masquerade was needed by the colonisers in order to give a semblance of legality to the outright robbery of the Indian people. The fact was that, in the 17th-19th centuries, the British bourgeoisie had pumped enormous wealth out of India and exhausted the country. Mass poverty, terrible starvation and epidemics became India's lot. In the mid-19th century, Marx himself condemned the plunderous activities, cruelty and barbarism of the British colonisers, hiding behind a mask of civilisation. In 1853, Marx wrote that "the misery inflicted

by the British on Hindostan is of an essentially different and infinitely more intensive kind than all Hindostan had to suffer before",<sup>4</sup> since previous conquests had affected the country only superficially, while "England has broken down the entire framework of Indian society, without any symptoms of reconstitution yet appearing".<sup>5</sup> In particular, the link between agricultural and handicraft production was broken, the latter lost its positions, the irrigation system fell into disrepair, and so on.

Not by chance did the behaviour of the colonisers in India engender a major uprising from 1857 to 1859, which the British put down with exceptional violence.

In the age of imperialism, new methods were used to step up the exploitation of India. The export of British commodities to India's markets continued to grow, more than doubling from 1896 to 1913.

From 1896 to 1897, 1,932 million yards of foreign-made fabric was used in India; in 1913-1914 the figure was 3,042 million. This was supplied mainly by Britain. In order to facilitate British exports, in 1883 import duties that had been levied previously (1859) on foreign goods for fiscal reasons were abolished. Free trade was used to exploit India and suppress its industry. Matters were not confined to this, however. The extensive export of capital began and was used for the even greater enslavement of the Indian people. By 1896, foreign capital investment in India reached 4.41 billion rupees, and in 1910 rose to 6.75 billion. British capital predominated, and was used primarily for turning India into Britain's raw material appendage.

For this reason, it was mostly plantations (tea, jute, cotton, rice) that were set up in India, and enterprises for the primary processing of raw materials (gins, packing enterprises, and the like) and the railways required for transporting raw materials and produce to the ports were built. The first railway was laid in 1853. Later, in the age of imperialism, railway construction expanded: from 1900 to 1914 alone, 10,000 miles of track were laid.

In 1914, India already had 34,600 miles of railways. The creation of the transport system speeded up the specialisation of economic regions, with the Punjab becoming the wheat

<sup>4</sup> Karl Marx, "The British Rule in India", in: Karl Marx, Frederick Engels, *Collected Works*, Vol. 12, p. 126.

<sup>5</sup> *Ibidem*.

supplier, Maharashtra that of cotton, Bengal that of jute, Assam that of tea, Madras that of groundnuts, and so on.

Under the colonial regime, India's industrial development was extremely one-sided. Only light industry grew: jute factories in Calcutta and cotton mills in Bombay.

This was because the British colonialists robbed India of its riches, but actively held back the development of its industry and preserved the survivals of feudalism. As early as 1881, Marx noted that the British were appropriating, in the form of rent, dividends, pensions, payments for colonial wars, etc. a sum exceeding the incomes of 60 million farmers and industrial workers. He described this as a "bleeding process with a vengeance".<sup>6</sup> Later, the incomes of the British "lords" grew even more. In 1913-1914, they pumped no less than £78 million out of India, while a variety of measures were taken to hold back the development of the country's economy. By encouraging the transportation of raw materials and foodstuffs to the ports (for export), the British made difficulties for the internal commodity turnover and set higher tariffs for internal freight shipments. The import of machinery was held back. All sorts of obstacles were raised to the development of heavy industry. India's industrial centres had to import coal from Britain. From 1896, a 3.5 per cent excise tax was levied on the production of yarn in Indian mills. In 1899, a monetary reform followed, and this greatly undermined the financial positions of Indian industry. The silver rupee was linked to the pound sterling, and was exchangeable for gold at a very high rate. The export of Indian-made goods to the Far East was difficult. The slave-drivers preserved a feudal order in the Indian countryside, and this worked against economic progress. The British authorities (so-called viceroys) actively hampered the expansion of public education. For the same factory job, British people were paid 5-7 times more than Indians. One famine followed another, accompanied by terrible epidemics. From 1896 to 1906 alone, about 10 million people died from famine and epidemics (plague and cholera). India's class contradictions intensified greatly. The national liberation movement grew in strength, with workers' strikes assuming more and more importance. The

<sup>6</sup> "Marx to Nikolai Frantsevich Denielson in St. Petersburg, February 19, 1881", in: Marx, Engels, *Selected Correspondence*, Progress Publishers, Moscow, 1975, p. 317.

first textile workers' strike, in Nagpur, broke out at the Empress Mill as early as 1877.

In 1914, the population of the British Empire numbered 417 million, 315 million of these being in India. Millions of Indians were doomed by the colonial regime to hunger and extinction. The classical and most brutal forms of this regime persisted in India, though other colonies experienced modifications of it. The system of dominions became established in Canada (1867), Australia (1901), South Africa (1902) and New Zealand. Many British people came to live permanently in these colonies, and they would not tolerate the political despotism of a colonial regime. In order to save the situation, the British imperialists had to make concessions and permit self-government. The granting of dominion status was advertised as a triumph of democracy, but in fact it merely concealed modified forms of colonial regime, incompatible with true democracy. In South Africa, for example, racial and political discrimination against the indigenous population was truly monstrous. In economic terms, the dominions remained agrarian appendages of Britain, its colonial outskirts. In 1898, for instance, Canada exported agricultural output worth \$77 million, primarily to Britain. In 1901, the British industry received £3 million worth of wool from Australia. South Africa and New Zealand also began supplying valuable raw materials and became sales markets for British manufacturers.

The system of dominions was engendered by the contradictions of the British Empire, but proved extremely flexible. It allowed the Empire a temporary breathing-space and largely explains why British colonialism proved so tenacious and persistent.

8. *The role of British imperialism in the preparations for the First World War. Bourgeois reformism.* There can be no doubt concerning the decisive role played by the German imperialists in the preparations for the First World War, but their British counterparts had been preparing for it for decades, too. Britain's colonial expansion aggravated imperialist contradictions and speeded up their explosion. The struggle for sales markets and spheres of capital investment overseas were forerunners of the world-wide disaster, when British and German imperialists clashed in the international arena. The greater the British colonial Empire became, the greater was the effect of Britain's weakened industrial positions. British imperialists had plundered too



much, while Britain's industrial lag became increasingly serious. For this reason, the British Empire was extremely tempting for the German imperialists and Germany, the young predator, hastened to bag the rich spoils of the British colonialists. The British-German contradiction became the chief one and a test of strength within the imperialist camp became inevitable.

For over twenty years, it is true, during the preparations for the First World War, the British imperialists concealed their aggressive policy with demagoguery about defending national interests and security. In fact, however, it was a matter of defending colonial plunder, seized in bloody battles. The fact that Germany was developing its trade with British colonies faster than Britain merely proved that "German imperialism is younger, stronger and better organised than British imperialism"<sup>7</sup> and, "it is ... a fight ... between two rival imperialisms, two monopolies, two groups of finance capital".<sup>8</sup> Britain's colonial expansion and Germany's industrial growth clashed in the world arena, so the British imperialists also bear some of the responsibility for the First World War, for which they prepared methodically and long. By the end of the 19th century, the search for allies had begun. Finally, they were found and, in 1904, on the basis of the division of Africa, an agreement was concluded with France and, in 1907, on the basis of the division of Iran—a treaty with Russia on its joining the Entente. Thus, British diplomacy managed to knock together an imperialist bloc to oppose Germany. The result was the famous Entente, which played an infamous role in mankind's history. The arms race began, this constituting the main precondition for the First World War.

In the fateful days of the summer of 1914, the British imperialists disguised their positions and cultivated the myth that Britain would stand outside any conflict. In fact this speeded up the break-out of war, since the German imperialists hoped for British neutrality and accelerated the course of events.

In the period of imperialism, the class struggle in Britain intensified, so, while preparing for the First World War, the British imperialists began to strengthen their rear, their home front. A clash of tremendous proportions was to come

<sup>7</sup> V. I. Lenin, "Imperialism, the Highest Stage of Capitalism", op. cit., p. 290.

<sup>8</sup> Ibidem.

and a great deal was on the cards—the very survival of the British Empire. Everything depended on the behaviour of the working class, which was increasingly becoming a force to be reckoned with. The workers had to be ideologically disarmed, deceived and forced to fight for the colonial legacy of the British bourgeoisie. Under these conditions, the financial resources of the Empire and the liberal demagoguery of bourgeois reformism were brought into play. It was decided that partial concessions should be made to the workers, to be paid for by colonial superprofits, in order to consolidate the social positions of British imperialism. All this was backed up with liberal and democratic phrase-mongering, but in fact reflected the terror of the British bourgeoisie before the working class and the possibility of a social revolution.

A clear impression of this is provided by the series of attempts to restore the long-disappeared peasantry. Such is the irony of history. A hundred years after the peasant land use had been destroyed, British bourgeois farming was pining for it, so great was the bourgeoisie's fear of a proletarian revolution. As early as 1882, a law was passed encouraging small farms and, in 1887, the compulsory appropriation of part of the land-owners' land for this very purpose was legalised. The lords had to sell certain plots or rent them out to small holders. Then came the 1892 act specifying this procedure. In 1907, it was decided that the remainder of the crown lands would be divided up into small plots and rented out to peasant-type tenants. At the same time, in 1908, a decree was passed on the buying-up of part of the land-owners' land by the counties, to be handed over to peasants for hereditary use. The rent was to be paid to the state.

Yet none of these scanty measures produced any major results. They remained within the bounds of the good wishes of the scared bourgeoisie. There could never have been any revival of the peasantry in the age of monopoly capitalism. The British reformists did not encroach on the land-owners' possessions and timidly capitulated before them.

The measures taken in Ireland were more radical, for the country had rebelled so often that it might have been a dangerous source of popular uprising if a war broke out.

In 1903, an agrarian law was passed permitting the Irish tenant farmers to purchase their holdings, though at high prices (12 per cent above market prices). The state assumed

the role of middleman, paying the land-owners the whole sum immediately and allowing the tenants to pay off their debts in installments. The land-owners thus received huge sums from the tenants, but major changes did take place in Irish farming by 1913, and 11 million acres (out of 19 million) now belonged to the peasants.

Particularly many measures were taken, however, to pacify the working class. Back in 1880, businessmen were made responsible for accidents at work and the 1897 law relieved the workers of the onus of proving negligence on the part of the management. This law on compensation for injuries was extended to agricultural labourers (in 1900), office workers, servants and sailors (1906). In 1908, old-age pensions were introduced (from 70 years) for those who did not receive social security and did not have an income of over £31 a year. The leader of the Liberals, Lloyd George, who became Chancellor of the Exchequer in 1908, came up with a widely advertised programme of social reforms. In 1909, he prepared his Red Budget, envisaging certain outlays for social purposes. His measures included the establishment of a labour exchange (1909), compulsory insurance against unemployment (at the expense of the employer, worker and the state), and the payment of allowances for fifteen weeks a year (at a rate of seven shillings a week). Unemployment resulting from strikes was excluded. At the same time, in 1911, health insurance was introduced and, in 1906, the rights of the trades unions were extended: they could now agitate for strikes at factories and plants. The trades unions were relieved of legal responsibility for losses incurred as a result of strikes. An eight-hour day (in 1908) and a minimum wage (in 1912) were introduced for miners.

On October 11, 1913, Lloyd George gave two speeches in Bedford unleashing an "agricultural campaign" and promising the workers a minimum wage, 100,000 cottages, the compulsory appropriation of land belonging to land-owners at its "net land-owner value", the creation of a "ladder of progress" for agricultural labourers, the abolition of monopolisation of the land, a revival of the peasantry and elimination of the reasons for emigration. It was also noted that the land had not been created by the land-owners, while a third of all the land in Britain belonged to members of the House of Lords, and land-ownership was the greatest monopoly in the country. As a result, 90 per cent of agricultural labourers received less than 20.5 shillings a week, and in the

last few decades the rural population had dropped from over 2 million to 1.5 million, while the number of game-wardens had risen from 9,000 to 23,000. The farmers were suffering from the lords' wild game and Britain had a very high percentage of uncultivated land.

Lloyd George called for a radical reform, but Lenin stressed that he had been forced to do this by the strength of the working-class movement, which was growing unchecked. Lenin called such speeches liberal deception of the popular masses.

9. *The working-class movement. The treacherous policy of the right-wing Labourists.* The period of imperialism was characterised by an expansion of the working-class movement in Britain, in connection with the growing exploitation of the workers and the deterioration in their economic condition. Bourgeois economists love to write extensive commentaries on the rise in the British workers' wages in the last third of the 19th century, while in fact only the labour aristocracy enjoyed any raises. As Kuczynski showed, the wages of most workers at this time were static. At the beginning of this century, the real wages of British workers were falling, as even bourgeois economists admit. This was partly because of the loss of Britain's industrial monopoly of the world market. From the end of the 19th century, food began to go up in price. In 1900, the relative wages of workers were 24 per cent lower than from 1859 to 1868, but their absolute impoverishment continued, too. They suffered greatly from unemployment, especially during industrial crises. In 1879, 41.4 per cent of trades union members were out of work, in 1886—40.2 per cent, in 1893—7.5 per cent and in 1908—7.8 per cent. Compared with 1900, relative wages were another 12 per cent lower from 1909 to 1914, while labour intensity continued to rise.

For this reason, the working-class movement assumed a wide scale in Britain during the age of imperialism and there is considerable evidence of this. Strikes became a mass phenomenon and followed one after the other, being distinguished by great persistence and a high degree of organisation. Some strikes lasted for seven years (on and off). The solidarity of the workers increased greatly. Major strikes took place before the 1914 war and Lenin noted their major import.

In his article "The British Labour Movement in 1912", Lenin called the miners' strike one of the outstanding events



of the year, since it "definitely marked an epoch". The strike lasted six weeks, with the miners demonstrating a high degree of organisation and persistence. There were no strike-breakers and British industry began to come to a standstill. The government was compelled to compromise and Parliament quickly passed a minimum wage law. Lenin described this reform as "a miserable half-measure" and sheer deception of the workers, but stressed that "since the miners' strike the British proletariat *is no longer the same*. The workers have learned to fight."<sup>9</sup>

Because the British workers were well organised, their strikes were victorious more often than those in other countries.

In 1913, Lenin stated that the number of strikers in Germany during the first decade of the 20th century had reached 1,897,000, 698,000 or 36.8 per cent of which had been victorious. In Britain, over this period, there had been 1,884,000 strikers and, moreover, out of 1,234,000 of them 588,000 had triumphed (47.5 per cent).<sup>10</sup>

The expansion of the working-class movement also told on the consolidation of the trades unions. From 1890, they sometimes began to include unskilled workers and greatly extend their social base. In 1906, the Labour Party emerged as a broad union of all workers' organisations (in addition to individual membership).

The political maturity of the British working-class movement in the age of imperialism proved extremely low, however: it was dominated by extreme opportunism; the traditions of time-serving and trade unionism prevailed; the influence of the colonial Empire on the labour aristocracy remained, and the other workers followed in its wake. Socialist ideas had only weak roots. Back in 1884, under the leadership of Henry Hyndman, the Social-Democratic Federation had been established, but it suffered from sectarianism (not wishing to work together with the trades unions). The Socialist League (headed by William Morris and Eleanor and Edward Aveling) separated off from it, but slid into anarchism. The Fabian Society emerged, set up by Beatrice and Sydney Webb, George Bernard Shaw, Philip Snowden and others. It feared a revolution, was hostile to Marxism

<sup>9</sup> V. I. Lenin, "The British Labour Movement in 1912", *Collected Works*, Vol. 18, pp. 467-68.

<sup>10</sup> See: V. I. Lenin, "The Results of Strikes in 1912 as Compared with Those of the Past", *Collected Works*, Vol. 19, p. 244.

and remained an intellectual group unreservedly supporting reformism. The slow development of the social process was declared its motto. In 1893, the Independent Labour Party was formed under James Keir Hardie and declared itself in support of socialism and workers' representation in parliament. It rejected, however, the idea of class struggle. As for the Labour Party, it proved immediately to be on the leash by bourgeois reformism. During the First World War, right-wing Labourists openly sold out the working class and began to serve the imperialists by actively supporting the bloody battle waged by the British imperialists for their colonial spoils.

In 1912, Lenin wrote that Britain had long been "the 'workshop' of the world" and that this monopoly position had created comparatively bearable living conditions for the labour aristocracy, the trained and well-paid minority of workers. As a result, "the petty-bourgeois, craft spirit in the ranks of this labour aristocracy, which has been divorcing itself from its class, following in the wake of the Liberals, and treating socialism contemptuously as a 'utopia' became entrenched". At the same time, the Independent Labour Party proved independent only of socialism and was, in fact, a party with a liberal workers' policy.<sup>11</sup>

In 1913, Lenin noted that the British Labour Party was the most opportunist and the worst infected by the spirit of the liberal workers' policy. Lenin explained the opportunism of the Labourists in terms of the historical conditions in the second half of the 19th century, when the "labour aristocracy" took part in dividing up the very high profits reaped by British capital.<sup>12</sup>

10. *The specifics of Britain's economic development under imperialism.* To sum up, certain specifics should be noted of Britain's economic development during the period under consideration (1870-1917).

1. As Lenin noted, many aspects of imperialism appeared in Britain's economy and politics earlier than in other countries. As early as the mid-19th century, the export of British capital assumed a large scale; British colonialism embraced whole continents and was already a traditional phenomenon. Consequently, bourgeois Britain was not only

<sup>11</sup> See: V. I. Lenin, "Debates in Britain on Liberal Labour Policy", *Collected Works*, Vol. 18, p. 360.

<sup>12</sup> See: V. I. Lenin, "On Britain (the Sad Results of Opportunism)", *Collected Works*, Vol. 19, p. 55.

the homeland of the capitalist factory system, but also the ancestor of modern imperialism. The other imperialist powers began to copy Britain only at the end of the 19th century.

2. This made an imprint on the country's economic development at the turn of the century, too. The chief factor was Britain's industrial lag and its loss of industrial monopoly of world markets and former role as the "factory of the world". This outcome of events seems paradoxical, since the British bourgeoisie possessed tremendous resources (capital, raw materials, sales markets and the fleet).

3. The basic reason was the decay of British capitalism. As it had been developing long since, it had already exhausted its economic potential; in particular, considerable old equipment had accumulated and the cost of modernising it was going up. The smokey old buildings of obsolete factories had to be written off when new ones were built. In contrast to the USA, Germany, Russia and Japan, capitalist Britain could not take full advantage of new construction and co-operation of production.

4. It was in Britain that bourgeois parasitism assumed the most monstrous forms and the bourgeoisie was increasingly losing the production functions it had been so proud of at the time of Adam Smith. This was connected with the rise in the public debt, the development of the banking system, the accumulation of enormous capitals, the increase of their export and expansion of the exploitation of colonies. Industry ceased to be the bourgeoisie's trump card or the chief source of its incomes.

5. The imperialists of Germany, Japan, France, the USA, etc., were driving towards the colonies, but Britain began to suffer from a surplus of them and colonialism began to have an inverse effect on the metropolitan country. For industry this was an unfavourable influence, since capital left Britain to be invested more profitably in the colonies. The speculative enrichment of the bourgeoisie did not mean any increase in Britain's industrial might. The colonial profits became obstacles to the country's industrial development, and its industrial centres shifted to Canada, South Africa, Australia, etc.

6. There were also external factors. British industry worked more for export than did that of the USA, or even France and Germany, so Manchester was very sensitive to fluctuations in the world market situation. Moreover, the com-

petition on the world market was becoming increasingly fierce as France, Russia, Japan, and especially Germany and the USA industrialised.

7. The very branch structure of British industry weakened the industrial positions of British imperialism. Not only in Japan and France, but in Britain, too, the share of light industry (above all the textile industry) was too large. In Germany and the USA, on the other hand, there was a rapid growth of heavy industry, which strengthened their economic positions and provided them with enormous quantities of equipment for further developing their industry.

8. The agrarian base of British industry was incomparably narrower than the French, German or Japanese, to say nothing of the Russian and American. Exploitation of colonies, which provided raw materials and foodstuffs, compensated for this, but the home market for industrial goods still proved too narrow. Britain itself did not have such broad opportunities for agricultural investment as the USA did.

9. In contrast to Russia and Japan, Britain did not experience any obstacles to the penetration of capital into farming—it had been capitalist long since. The conditions for the development of large-scale agricultural production in Britain were more favourable than even in France and Germany, but landlordism became a real sore, gave rise to parasitic outgrowths, and burdened agriculture with rent collections, which became particularly heavy during the agrarian crisis. So Britain suffered more than other countries from this crisis. The USA and Russia possessed vast territories for developing capitalism in breadth, but Britain did not, except for in the colonies. The chief line of development was an intensification of agriculture.

10. Even at the stage of imperialism, Britain's economic development was greatly affected by free trade traditions. From the end of the 19th century, a transition was made towards protectionism, but in a less harsh and aggressive form than that practised by the USA, Germany and Russia.

11. Monopoly capitalism did not, even in the early 20th century, acquire such mature forms in Britain as in Germany or Russia, let alone the USA. This is yet another paradox of Britain's economic history in the period of imperialism, explicable in terms of industry's lag, the presence of many old factories and plants, the influence of free trade traditions, the accessibility of colonial markets, and the fact that the country was accustomed to enjoying an industrial monopoly.



12. In spite of the existence of the colonial empire and the weakness of Britain's industrial base, the British imperialists oriented themselves at the turn of the century on a further expansion of colonial possessions. This is the third riddle of Britain's economic history at the time, since the colonial expansion of Germany, the USA and even Japan was based on a rapid growth of their industries. Account should be taken, however, of the fact that many colonies were seized only to prevent them falling into the hands of rivals. Moreover, new spheres of investment were required, and capital exports assumed enormous proportions, creating an economic base for the expansion of British colonialism. The existing empire had to be saved, for which purpose support points were needed all over the world. The traditions of colonialism dominated British politics. Attempts were made to export the internal contradictions of capitalism to the colonial outskirts and thus mitigate them at the expense of the colonies (through development in breadth, colonisation, nurture of the labour aristocracy, and a reduction in the cost of foodstuffs).

13. As Lenin remarked, colonialism became characteristic of British imperialism in particular. He called it colonial imperialism. The export of capital from Britain assumed an enormous scale and became most typical of it. Britain was the chief colonial power.

14. It was Britain that gave birth to the system of dominions as an artificial form for disguising colonialism. The strong aspect of British imperialism was the extensive use of colonisation, in which France proved totally helpless, and there was certainly no flow of colonists from the USA to the Philippines. Meanwhile, British colonisation created support points for British imperialism in many countries. Canada, South Africa, Australia, and New Zealand became subsidiaries of Britain, where British capitalism could expand. Their agricultural resources were available to Britain and helped alleviate its agrarian contradictions.

15. While the First World War furthered the enrichment of the US monopolies, it weakened Britain, exhausted its economic resources and involved the loss of the country's former role as "ruler of the waves". War debts became a serious burden.

16. The decay of capitalism was observed in Britain particularly clearly (the lag of industry, upsurge of bourgeois parasitism, the economic sore of landlordism, the intensity of

the economic crises, the dictatorship of the financial oligarchy, the aggravation of class contradictions, the mass scale of the working-class movement, and the menacing behaviour of the strikers).

17. In no other capitalist country did bourgeois reformism prove so flexible and make so many concessions. Various sorts of allowances were instituted and social legislation was passed to keep the workers calm. In addition, laughable attempts were made to revive the British peasantry. The bourgeoisie feared a proletarian revolution.

18. No such revolution occurred, however, and this, too, seems inexplicable, but its deferment was a result of many factors. Emigration and colonisation of overseas territories gave the contradictions of British capitalism a breathing space by weakening the British working class and disrupting its ranks. Using colonial superprofits, the bourgeoisie kept the labour aristocracy happy, taming it and spreading dissent among the proletariat. Bourgeois reformism spread the illusion of the possibility of material well-being under capitalism. Social legislation acted as a sort of safety-valve for the contradictions of wage labour. The working-class movement acquired a specific trade unionist character and lacked political leadership. In 1906, the Labour Party was formed, but its members confined themselves to the pathetic traditions of trade unionism. The corrupt leaders of the trades unions and the Labour Party were servile to the bourgeoisie and sold out the vital interests of the proletariat, thereby demoralising it politically. During the First World War, these leaders served the imperialists faithfully, declaring the salvation of the British colonial Empire to be the British working class's highest goal.

## THE ECONOMIC DEVELOPMENT OF FRANCE. USURY IMPERIALISM

*1. The historical role of the Paris Commune.* In the period of complicated historical development from 1870 to 1917, that of France was specific. The despotic regime of the Second Empire, which arose after the 1848 revolution, was on its last legs, so in 1870 Napoleon III unleashed a war against Prussia, the idea being to back up his prestige with foreign adventures. Events had a sad outcome for him, however, and on September 1 the French army was routed at Sedan. The belligerent emperor himself was taken prisoner, together with 39 generals and an enormous number of soldiers (86,000). This was the inglorious end of the Second Empire, which was a mere parody of the First. It became clear that the time of political despotism was past. On September 4, 1870, the people of Paris burst into the Chamber of Deputies and declared a republic.

Soon, however, (on September 17, 1870), the Prussian occupation forces laid siege to Paris itself. The new government prepared to surrender the city. This treachery on the part of the bourgeoisie aroused the indignation of the Paris workers, and it was they who saved France's honour. After a whole series of conflicts, the bourgeois government under Louis Adolphe Thiers escaped to Versailles and, on March 18, 1871, Paris was seized by the National Guard. In fact, it was in the hands of the workers. The Paris Commune was founded, as the world's first workers' state. This was the first act of the world proletarian revolution, the second being the Great October Socialist Revolution in Russia in 1917. An event of enormous historical significance occurred and the first form of dictatorship by the proletariat appeared.

The economic policy of the Paris Commune differed fundamentally from the bourgeois one and was in the interests of the proletarian masses. Decrees were issued deferring rent payment for housing, halting the sale of pawned items, ruling the return of cheap items (up to 20 francs) free of charge,

and abolishing high salaries for officials. A commission was set up to prepare labour legislation. This commission strove to eliminate unemployment and took over workshops abandoned by their owners. In state-owned enterprises, the management was elected and the workers took part in drawing up the rules and production plans. A bureau was set up for finding work for the jobless. On April 20, a law was passed prohibiting night work in bakeries. The Commune controlled the wage rates and forced suppliers to pay workers a reasonable sum. Employers were not allowed to fine workers. A chief controller and eight commissars were appointed to the management of the railways. A decree was prepared on the introduction of an eight-hour working day. The flats of rich people who had fled to Thiers were confiscated and given to workers. The Commune turned to the peasants, stressing that it wanted land for the peasants, means of production for the workers, and work for all. It did not, it is true, confiscate the capital of the Bank of France (which had reached 3 billion francs) and resources flowed out to Versailles. This was a major mistake on the Commune's part.

On May 28, 1871, the Paris Commune fell, not having managed to involve the peasants and break the domination of the big bourgeoisie. It had been too circumspect and indecisive in expropriating the capitalists, and isolated from the peasants by a blockade. The bourgeois development of the French countryside was so far advanced that it was difficult to rouse the peasants to struggle against capitalism. As for the agricultural labourers and rural poor, they were scattered among the villages. Besides, Versailles was assisted by the Prussians. As at the time of the Jacquerie, in 1358, foreign enemies became the friends of the ruling class. The Communards were extremely heroic, but lost an unequal battle. In France, in 1871, it proved impossible to forge such a union of the working class and the peasantry as was formed in Russia in 1917.

On May 30, 1871, the General Council of the International Working Men's Association confirmed its proclamation, signed by Marx, concerning the civil war in France. Marx highly appraised the Paris Commune in this. He wrote that it had been the direct opposite of the Empire and that the "cry of 'social republic', with which the revolution of February was ushered in by the Paris proletariat, did but express a vague aspiration after a Republic that was not only to supersede the monarchical form of class-rule, but class-rule itself.



The Commune was the positive form of that Republic." The Commune proved to be a more flexible political form and its real secret was that it "was essentially a working-class government, the produce of the struggle of the producing against the appropriating class, the political form at last discovered under which to work out the economic emancipation of labour".

As Marx pointed out, "the political rule of the producer cannot coexist with the perpetuation of this social slavery. The Commune was therefore to serve as a lever for uprooting the economic foundations upon which rests the existence of classes, and therefore of class-rule." He stressed that the Commune "intended to abolish that class-property which makes the labour of the many the wealth of the few. It aimed at the expropriation of the expropriators."

Yet the Commune was defeated by the combined forces of Versailles and Prussia. Moreover, as the proclamation stated, "even the atrocities of the bourgeois in June, 1848, vanish before the ineffable infamy of 1871". The victors did not even know where to put the bodies of those killed after the battle was over. These foul murders testified that "the civilisation and justice of bourgeois order comes out in its lurid light whenever the slaves and drudges of that order rise against their masters. Then this civilisation and justice stand forth as undisguised savagery and lawless revenge."<sup>1</sup>

Marx considered it noteworthy that, after the worst war in recent times, the victorious army and the defeated army joined forces to beat the proletariat together.

Lenin, too, highly appraised the Paris Commune, considering it to have been the most significant event of the 19th century, the first experience of a dictatorship of the proletariat.

In Lenin's opinion, the events of 1871 may be seen as the conclusion of the bourgeois-democratic revolution that began in France in 1789, if the removal of the objective historical tasks of the bourgeois revolution may be considered its conclusion, i.e., the elimination of the very grounds for such a revolution.<sup>2</sup>

<sup>1</sup> Karl Marx, "The Civil War in France", in: Karl Marx and Frederick Engels, *Selected Works* in three volumes, Vol. Two, pp. 219-20, 223, 235.

<sup>2</sup> See: V. I. Lenin, "Notes of a Publicist", *Collected Works*, Vol. 16, p. 203.

At the same time, Lenin stressed that the Commune had gone beyond the problems of the bourgeois-democratic revolution and made "the first epoch-making step" towards the triumph of the dictatorship of the proletariat. The second step was the establishment of Soviet power in Russia.<sup>3</sup> Lenin called for the experience of the Communards to be used for solving the problems of the proletarian revolution. He wrote that "despite all its mistakes the Commune was a superb example of the great proletarian movement of the nineteenth century". Lenin attached major significance to the fact that the Paris Commune inspired the socialist movement and "taught the European proletariat to pose concretely the tasks of the socialist revolution".<sup>4</sup>

2. *The agrarian reserves of French imperialism.* The Paris Commune was crushed by the French bourgeoisie, who embraced the German occupying forces and sold out France's national interests. This was a sort of prelude to the treachery of 1940.

Scared by the menacing colossus of the French working class, the bourgeoisie nurtured monarchist plans and put their hopes in General Boulanger. Even so, the Third Republic became established. Its corrupt regime proved very flexible and served the plunderous activities of the monopolies. Parliamentaryism merely masked a dictatorship of the bourgeoisie.

From the end of last century, France became an imperialist power and the Third Republic took an active part in the division of colonies and the preparations for the First World War. Bourgeois "democracy" was a mere veil over colonial plunder. The economic positions of French imperialism were, however, weak and, in industrial terms, France was far behind even Britain, let alone Germany and the USA. One reason for this was the slow development of agriculture. The agrarian reforms of French imperialism were very limited. When the world agrarian crisis broke out in the mid-1870s, France's agriculture could not stand up to American competition.

From 1870 to 1917, there were, of course, many changes of a progressive nature in France's agriculture, including, in

<sup>3</sup> V. I. Lenin, "First Congress of the Communist International, March 2-6, 1919. Theses and Report on Bourgeois Democracy and the Dictatorship of the Proletariat, March 4", *Collected Works*, Vol. 28, p. 466.

<sup>4</sup> V. I. Lenin, "Lessons of the Commune", *Collected Works*, Vol. 13, pp. 476, 477.

particular, mechanisation of production. Lenin noted that, from 1882 to 1892, the French rural population fell from 6.9 million to 6.6 million, while the number of agricultural machines rose from 278,896 to 355,795.<sup>5</sup>

If the comparison is extended, the growth of mechanisation of production becomes even more marked. From 1862 to 1892, the number of threshers rose from 100,733 to 234,380, of sowing machines from 10,853 to 52,375, of harvesters from 8,907 to 23,432, and of hay-mowers from 9,442 to 38,753. Later, from the end of the century, the use of machinery expanded even more. The impact of the agrarian crisis was felt most directly.

At the same time, there was an increase in the use of chemical fertilisers. From 1889 to 1913, the use of superphosphates rose from 425,000 to 2 million tonnes. Before the First World War (from 1911 to 1913), the use of chemical fertilisers in agriculture reached an average of 4,135,000 tonnes, most of these being phosphates (3,445,000 tonnes), some of them nitrogenous (602,000 tonnes) and a few potassium (88,000 tonnes). Grass sowing increased and, from 1885 to 1913, the area under fodder crops expanded from 2.7 million hectares to 5.2 million. This created a fodder base for the development of livestock-breeding. Natural meadows were also used; their area doubled over the same period, reaching 10 million hectares, they were improved by clearing, fertilising and the sowing of forage grasses. The maintenance of cattle improved and their productivity rose. The head of cattle increased markedly: from 1882 to 1913 the number of horses went up from 2.8 million to 3.2 million, and of cattle from 12.9 to 14.7 million. The development of livestock-breeding helped the country get out of the agrarian crisis at the end of last century.

Although the sown area remained virtually unchanged, the gross harvest increased somewhat. From 1875 to 1913, the area under wheat dropped from 6.9 to 6.5 million hectares, while the grain harvest rose from 75.4 million quintals to 86.9 million. The area under other cereals in general fell similarly, from 7.8 to 6.9 million hectares, while the harvest rose from 83.6 to 87.7 million quintals. The area under potatoes was expanded over these years from 1.2 to 1.5 million hectares, and the harvest grew even more, from 94.4 mil-

lion quintals to 135.8 million, though it fluctuated greatly from year to year.

The specialisation of the agriculture of historically established economic regions gained in depth. Regions producing only a single crop also emerged. Some departments specialised in 2 or 3 products. Thus, Gironde was oriented on viticulture, forestry and livestock-breeding, the Mediterranean coast on the production of spring vegetables and flowers (for the perfume industry), the north-western departments on livestock-breeding and the cultivation of sugar-beet. In the North, the production of wheat and beetroot was increased. This specialisation naturally raised labour productivity and the overall agricultural yield.

The production of industrial raw materials expanded, this being of major importance for France's industry. The area under industrial crops increased only little, it is true—from 369,000 hectares in 1875 to 394,000 in 1913. The growth of output was more substantial—from 56.8 million quintals in 1885 to 80.8 million in 1913. The expansion of the production of industrial raw materials told very clearly in the rapid development of the sugar industry. In 1880-1881, 283,602 tonnes of sugar were refined, while in 1900-1901 the figure was a million tonnes. Just before the war, production dropped somewhat, but even so, in 1912-1913, France's sugar refineries produced 877,656 tonnes.

The agricultural and economic achievements of France's agriculture at the turn of the century should not, however, be exaggerated. Although there was some progress, it was very slow. The agricultural area itself remained virtually unchanged. Moreover, France had considerable waste land that was not still cultivated. From 1882 to 1913, the unused area dropped from 6.2 to 3.7 million hectares, but much remained. The cultivated area increased from 34.8 million to 36.5 million hectares, but mainly through an increase in the area of natural pastures and meadows. Some branches of agriculture were clearly in decline. For example, from 1875 to 1913 the area of vineyards dropped from 2.4 to 1.5 million hectares, and wine output fell from 83.8 million hectolitres to 44.3 million (from 1886 to 1890 the average output was 26 million hectolitres). For centuries, France had supplied the world with wines, but now it began importing them. In 1890, 10 million hectolitres were imported. One reason for the disastrous decline in viticulture was the spread of phylloxera and the death of whole vineyards, but the

<sup>5</sup> See: V. I. Lenin, "Capitalism in Agriculture", *Collected Works*, Vol. 4, p. 111.



conservatism of French agriculture and its backwardness were also to blame. France's positions on the world market were greatly weakened.

The production of certain types of industrial raw materials also fell off. In 1862, there were 200,000 hectares under flax and hemp, but only a third of this area by the end of the century. Yet these raw materials were needed by France's textile industry. Sheep-breeding was contracting rapidly. From 1862 to 1913, the number of sheep fell from 29.5 to 16.1 million and the number of goats also dropped over these years, from 1.7 to 1.4 million. France had to import more and more of the wool for its mills. There was virtually no progress in pig-breeding: until 1903 it expanded somewhat and the number of pigs reached 7.5 million, but then it began to fall and, in 1913, there were only 7 million, less than in 1882 (7.1 million). The raw material base of the meat industry was not expanding. That of the timber industry was also contracting: in 1790, forests occupied 17 million hectares in France, against only 10.8 million at the end of the 19th century.

3. *Agrarian contradictions.* Overall, from 1870 to 1917, some branches of French agriculture developed slowly, while others were simply declining. The reasons for this were quite diverse. One was the world agrarian crisis at the end of last century, which was very protracted (1875-1896) and affected France greatly. The country's agriculture could hardly stand up to the competition from American farmers. The price of wheat fell rapidly. From 1871 to 1875, a hectolitre of wheat sold at 23.7 francs, but in 1893 for only 15.7, so from 1882 to 1913 the total sown area of cereals dropped by 2 million hectares. This was inevitable, since the production costs of a hectolitre of wheat had reached 20 francs and were double that on the farms in the western states of the USA. Only on large capitalist-type farms, well supplied with machinery, were the production costs of wheat 15-20 per cent below its sales price. France's agriculture proved unprofitable. In the first half of the 1870s, the annual harvest of wheat was worth 2.5 million francs, but from 1892 to 1895—only 1.5 billion, though the yield had gone up somewhat. The price of land also began to fall. In 1874, a hectare of land cost 2,000 francs, but in 1892—only 1,500. Land rents began to drop a little, too, though less than the price of grain. From 1882 to 1892, rents dropped from 53 to 47 francs a hectare.

France saw protectionism as the way out of the crisis. In

1885, customs duties were set on the import of foreign wheat (3 francs per 100 kg), followed by a rise to 5 francs in 1887 and 7 francs in 1894. The duties charged on sugar imports were also raised in 1884 from 3 to 7 francs. The principles of free trade that had been so advertised in the 19th century did not stand the test under the conditions of the world agrarian crisis. The customs duties on imports of rye, maize, and rice were also raised. Bonuses began to be given for sowing flax and hemp and for silk-worm breeding. At the same time, the branch structure of French agriculture began to change, as is shown by the significant development of livestock-breeding, the expansion of areas under sugar-beet, potatoes, and so on. The use of farm machinery also increased somewhat.

The results of all this were not, however, significant. The agrarian reserves of French imperialism remained very modest and, in terms of the mechanisation of agricultural production, France was way behind Britain and the USA. Machines were not available to the French peasant, with his parcel of land, for their use was not profitable on a small holding.

The main reason for the backwardness of French agriculture was the agrarian legacy of the preceding period. The structure of French land-ownership did not provide the necessary scope for the development of the productive forces. Suffice it to note that, in 1901, there were 150 million small plots of land without buildings in France, millions of which were not worked at all. Since the number of farms, according to the 1892 census, was 5.7 million, there were almost thirty such allotments to every farm. These extremely excessive numbers of land holdings often precluded any progress in agriculture at all.

France's agriculture was on the way towards private property taken to absurd lengths. Even big farmers sometimes owned only a multitude of small plots of land on which no rational large-scale farming could be organised.

Moreover, millions of peasant farms suffered from land starvation, so they could not use sophisticated tools or even draft animals, the land being worked manually. In 1892, 2,235,400 farms (39 per cent of the total) were of less than a hectare, so only Chinese-type agriculture was possible. The soil and climatic conditions for this were lacking, however. Another 32.1 per cent of farms were between one and five hectares, so they could only develop viticulture, horti-

culture, and market-gardening. Such farms, too, lacked the necessary conditions for farming and livestock-breeding. Thus, over two-thirds of all farms could provide no basis for the development of the productive forces.

The number of peasant holdings of 5 to 10 hectares was, it is true, 788,300 (13.9 per cent) and they covered 5.7 million hectares, but these farms were also weak financially, and their plots of land did not provide the space required for setting up big farms. Land-ownership in the form of parcels became reactionary, as Marx brilliantly showed. He wrote that "propriatorship of land parcels by its very nature excludes the development of social productive forces of labour, social forms of labour, social concentration of capital, large-scale cattle-raising, and the progressive application of science.

"Usury and a taxation system must impoverish it everywhere. The expenditure of capital in the price of the land withdraws this capital from cultivation. An infinite fragmentation of means of production, and isolation of the producers themselves. Monstrous waste of human energy. Progressive deterioration of conditions of production and increased prices of means of production—an inevitable law of proprietorship of parcels. Calamity of seasonal abundance for this mode of production."<sup>6</sup>

The history of the French peasantry from 1870 to 1917 fully confirms Marx's conclusion. In order to retain their hold on their parcels of land and somehow make ends meet, the peasants went into debt. Mortgage debts quickly grew and the overall debt reached tremendous proportions. Research carried out in 1876 showed that it stood at 14.37 billion francs, but by 1906-1910, the figure averaged 15.9 billion francs. There was a marked rise in mortgage liabilities, reflecting the excess of the sum of new debts over old ones already paid off. Indebtedness became chronic. It is estimated that, at the beginning of the century, only 4 per cent of land-owners were not working for the money-lenders and remained the owners of their land. The peasants' incomes were swallowed up by interest payments and the owner of a small allotment possessed his land formally. Rent paid on usury capital often swallowed up not only the surplus product, but also the necessary product. The parcels of land were often confiscated, including by force. At the end of last century, about half the cultivated land changed hands

<sup>6</sup> Karl Marx, *Capital*, Vol. III, p. 807.

once every ten years. At that time, peasant owners of land parcels were paying money-lenders about 2 billion francs a year. So-called "black bands" operated in the French countryside, buying up parcels of land and selling them off in even smaller pieces.

The pauperisation of the peasantry was constantly progressing and the rural poor were forced to live under worse material conditions than even the urban workers. When they lost their own land, the peasants began renting somebody else's. In 1892, the number of "pure tenants" was 806,500, including 220,900 share-croppers. Moreover, 599,100 holdings rented other people's land on top of that already owned. Among these there were 123,000 share-croppers. In all, tenants of all categories numbered 1,405,600. Among these there were capitalist farmers, but peasants predominated. There were 344,200 share-croppers alone, while the capitalist farmer managed to get by without share-cropping, of course. This was the worst form of rent: half the harvest had to be handed over, in addition to doing some other work. Many share-croppers were, in fact, the hired agricultural labourers of the land-owners. It has been established that the sharecropper's rental was 25-50 per cent higher than farmer's, though the latter had been rising, too, since, in the early 1900s, the market situation became more favourable. Before the outbreak of the 1914 war, the rent for a hectare of land in the north-western departments of France was 60-66 francs.

Rent did not save the situation of the peasants nor provide the necessary scope for the development of agriculture. No agricultural improvements or experiments could be expected from the sharecropper, who had even fewer opportunities and inclination for this than the independent peasant did.

While clinging to their small plots and finding it impossible to make ends meet, the peasants began to reduce their birthrate. This classical means became widespread, with the two-child family becoming the norm, as the last reserve in the small producer's defence. The birthrate steadily dropped. In 1876, it reached a maximum of 1,022,000 but then began to fall, and by 1913 was only 790,000. This constituted a national catastrophe. The country's population stabilised and manpower resources were hardly rising. From 1872 to 1911, the population went up from 36.3 to only 39.6 million. Foreigners began to flow in since France was short of manpower, especially in periods of revival and



booms in industrial production. By 1872, the number of non-naturalised foreigners reached 741,000, and by 1906, there were 1,046,000.

France was losing its vital strength in the fruitless struggle waged by the peasant for his parcel of land. Eventually, pauperisation proved inevitable. It has been calculated that the number of peasant holdings dropped from 5.7 million in 1892 to 3.9 million in 1929. The peasant turned into an agricultural labourer. At the end of last century, 75 per cent of agricultural labourers had only small plots of land of their own, but links with the land merely made their economic condition even worse, making them more dependent of the rich land-owners. Wages were very low and living conditions very poor. Housing consisted of huts and barns, while work lasted from sunrise to sunset. Flight to the towns was, therefore, the final way out for the expropriated peasant. This was also promoted by the partial mechanisation of agricultural production, as this reduced the demand for manpower. From 1872 to 1911, the rural population fell from 24.8 to 22 million. From 1862 to 1928, 732,000 families of peasant land-owners and 759,000 families of agricultural labourers left the countryside. Over the first half of the 20th century, some regions lost 30-50 per cent of their populations, and the desertion of the French countryside became increasingly marked.

4. *The development of capitalism in agriculture.* From 1870 to 1917, agrarian capitalism continued to develop in France on the ruins of the peasant economy. It quashed the petty-bourgeois illusions concerning the social benefits of private ownership of the land, the triumph of freedom, equality and fraternity in a bourgeois society. A hundred years after the 1789-1794 revolution, the invalidity of these illusions became particularly evident. Private ownership proved incompatible with the economic well-being of the broad population and the humane goals of the time of the revolution proved alien to capitalism. It engendered the development of the productive forces, but at the cost of expropriation of the peasantry and merciless exploitation of the hired agricultural labourers, who became the pariahs of capitalist society.

The agricultural positions of rich peasants making extensive use of hired labour grew constantly in strength. At the same time, capitalist farming took shape, buying up or renting the land from big land-owners. Although allotments

persisted, the number of land-owners dropped, from 7-7.5 million in 1850, to only about 3.7 million in 1884. Moreover, half of all the land belonged to 6 per cent of the land-owners, each of whom held over 40 hectares. Consequently, the concentration of landed property increased, thereby creating the necessary conditions for the development of capitalism. Many land parcels were combined in the hands of one farmer and large farms became a possibility.

This also told on the distribution of the land between farms. There were, it is true, more of these than land-owners because of the rent system, which meant that land belonging to one person could be leased out to dozens of share-croppers. The 1892 census recorded 5.7 million farms, but 73 per cent of the land belonged to ones of a clearly capitalist type, with over 20 hectares. Out of a total of 49.3 million hectares, 36.8 million belonged to this sort of farm. Latifundia were rarities and there were only 4,300 holdings of over 300 hectares. The agrarian consequences of the revolution at the end of the 18th century still had a remote effect on this, but the concentration of the land in the hands of capitalist farmers was quite evident. Some farms of this type grew up on rented land, for rent in no way excluded the possibility of capitalist concentration of the land. The history of British agriculture had proved this.

A substantial part of the land belonged to rich peasant farms, each of 10 to 20 hectares: there were 429,400 such farms, making up 7.6 per cent of the total.

The degree of development of capitalism in French agriculture in the period of imperialism is shown clearly by the numbers of hired agricultural labourers: in 1911, there were 2 million, or about 5 to every farm of a pure capitalist type (with over 20 hectares of land). Proletarian and semiproletarian elements began to predominate in the rural population. The very survival of the parcel system often depended on it supplying manpower for the capitalist farms. As Lenin wrote (in his notes on Karl Kautsky's book *The Agrarian Question* in 1899), in this case, "large and small land-ownership condition each other as capitalists and proletarians".<sup>7</sup> Here lies the secret of the amazing tenacity of the French land parcels. They increasingly acquired capitalist functions, allowing the farmers to cut the wages of agricultural labourers and keep them in bondage. In general, "in order to ex-

<sup>7</sup> *Lenin Miscellany XIX*, Moscow, 1932, p. 47.

appropriate the tillers of the land it is not necessary to drive them from their land as was the case in England and elsewhere".<sup>8</sup>

The development of capitalism in France's agriculture during the period under consideration also told in the penetration of capital into the sphere of the processing of agricultural produce. The number of mills dropped, and the surviving ones became capitalist enterprises. In the 1880s, there were about 75,000 mills in France, but only 33,300 remained by 1904. A similar picture was observed in the processing of sugar-beet: the number of sugar factories dropped and monopolisation of the raw material progressed more and more. In 1880-1881, there were 493 such factories, but in 1912-1913—only 213. At the beginning of the 20th century, the monopolisation of the food industry advanced greatly in other branches, too. It is important to note that the businessmen often tried to create their own raw material base. The owners of sugar factories, for example, set up sugar-beet plantations (at the end of last century), thereby speeding up the development of capitalism in agriculture. Industry exerted an active influence on this process.

Major shifts took place towards capitalism in the sphere of exchange too. The market for agricultural produce was expanding. In 1903, Paris received fresh milk from remote regions: 600,000 litres came from villages 300 km away; Normandy and Brittany began to supply milk for the capital. Enterprising middlemen (courtiers) bought up agricultural produce right on the farms, not only the markets. In 1906, France had 73,000 commissionaires and middlemen engaged in the commercial exploitation of the peasants. The credit system connected with agriculture was extended. As early as 1852, the Land Credit Bank was set up and later it granted mortgages with the land as security. In 1860, the Credit Agricole Bank was founded though it went bankrupt sixteen years later as a result of security speculations. In 1895, the National Agricultural Credit Bureau appeared. In addition, mortgages were granted by the General Land Society and the Lyons Land Association. The tentacles of the banking system spread wider and wider in France's agriculture, boosting its capitalist evolution.

<sup>8</sup> Karl Marx, "First Draft of the Reply to V. I. Zasulich's Letter", in: Karl Marx and Frederick Engels, *Selected Works* in three volumes, Vol. Three, Progress Publishers, Moscow, 1973, p. 159.

In the 1880s, agricultural co-operatives began to appear for the purpose of buying up raw materials and foodstuffs. In 1890, they numbered 648, but by 1910—4,948. In 1884, credit associations on a joint-stock basis began to be set up. The co-operatives did not, of course, change the course of development and themselves revealed capitalist tendencies. Capitalist enterprises often operated behind co-operative signboards.

The scale of capitalist development of French agriculture, even during the period of imperialism and its positive influence on agriculture, the process of production mechanisation, etc., should not, however, be exaggerated. Big capital preferred usurious exploitation of the peasantry and went primarily into the sphere of mortgage credit. The size of capital investment itself remained stable even in landed property. From 1861 to 1914, investment dropped from 61 to 60 billion francs. From the end of last century, even the capital of the rural bourgeoisie was invested primarily in securities. Agriculture was considered to be not very profitable. The coupon competed more and more with land, a tendency that had first emerged in the mid-19th century. Incomes from agriculture were taxed treble or quadruple the amount levied on those from securities. The land transfer tax was 12 per cent and the death tax on land, even 40 per cent.

Neither should the consequences of the concentration of landed property, the positive impact of this process on agriculture, the growth of production, and rise in labour productivity be exaggerated. Large-scale land-ownership often in no way meant large-scale production, as in the 18th century. The owner of many land parcels merely rented them out. The system of landlordism also took shape in France, and large-scale land-ownership was often parasitic in character. In many places, arable land and meadows were turned into hunting parks and luxury country estates. The land dropped out of agricultural turnover and large-scale land-ownership intensified bourgeois parasitism. As in the 18th century, the nouveaux riches among the bourgeoisie copied the refined aristocrats.

5. *The reasons for France's industrial backwardness.* The chief aspect of France's economic history during the age of imperialism was the slow development of industry. Alongside Britain, France, too, was lagging at this time behind Germany and especially the USA in the development of



industry. This seems to be surprising, since at the end of the 19th century there was an industrial rise even in Russia and Japan. Moreover, France had scored considerable successes in the development of factory industry since the time of Napoleon I, but it was now lagging and taking a back seat. In the mid-19th century, it was the most industrially developed power on the European continent, coming second only to Britain. In the early 1870s, France produced 10 per cent of world industrial output, but at the end of the century—only 7 per cent. Later its share diminished even more.

The question naturally arises as to the reason for this, and there has been much talk about it. Some attempts have even been made to give it a totally false racial interpretation.

External events undoubtedly exerted an unfavourable impact on French industry and are partially to blame for its backwardness. France had to pay dear for Napoleon III's adventurism. The war with Prussia ended in defeat and cost the country 9 billion francs (even 10 billion if what the occupying forces stole is taken into account). Initially a defensive war for Prussia, it later became a plunderous one. According to the Treaty of Versailles, signed in June 1871, France had to pay an enormous indemnity of 5 billion francs. This weakened the financial position of the Third Republic and intensified parasitical trends in the economy. The public debt grew and the money-lenders stepped up their activities. Of even greater importance was the loss of a very considerable territory—Alsace-Lorraine (1.4 million hectares), with a population of 1.9 million. This reduced France's manpower resources. Alsace had a developed textile industry and its loss undermined France's industrial positions. The loss of Lorraine's ores was particularly serious, however. France's iron and steel industry was weakened and took a long time to recover from this blow.

Factors of an internal character were far more significant, being rooted in the specifics of France's economic development. These included the unusual branch structure of industry inherited from the preceding period. The production of luxuries, textiles and haberdashery occupied too substantial a place. Historical traditions dominated the country's economic affairs, as they had in the first half of the 19th century. Moreover, during the age of imperialism, major changes were taking place in the structure of world industry. There was a sharp rise in the proportion of heavy in-

dustry. Under such conditions, the "haberdashery" industrialisation of France was an anachronism.

At the same time, the development of France's industry was hampered by the agrarian contradictions described above. French capitalism did not possess the agricultural reserves that American capitalism did. The country's agriculture was developing slowly or even declining, so the home market for industrial goods was expanding only slowly, too. The French peasant renting a parcel of land proved less solvent than the American farmer. The raw material base of some branches of industrial production was contracting. Owing to the decline in sheep-breeding, more wool had to be imported.

In the USA and Germany, the population was growing rapidly, which meant an increase in manpower reserves. In addition, American industry gathered paupers from all over the world. In France, however, the population was almost stable. The reserves of manpower were held in the vice of parcel land-ownership and remained virtually unchanged. The use of foreign workers helped only in part. The land parcel system and the factories inevitably came into conflict.

The decisive role was played, however, by factors of a general historical nature, connected with the natural evolution of French capitalism. France's industrial lag, like Britain's, was no chance matter. The decay of capitalism exerted just as strong an impact in France as in Britain. At the end of the 19th century, in Germany and Russia industrial revolutions were coming to their conclusion, while in Japan one was only just beginning. In France, on the other hand, the reserves of such a revolution had long since been exhausted and, from 1870 to 1914, the country could not take advantage of new construction. Large quantities of old equipment accumulated, and this had to be thrown out if new equipment was to be installed. A sort of "obesity" of French capitalism was observed, the result being a decay of the social fabric. Parasitic growths appeared and the bourgeois increasingly became rentiers. Aristocratic parasitism was replaced by bourgeois. The capitalist lost his production functions, of which the bourgeoisie in the 18th century had been so proud. The position of rentier became the ideal of the bourgeois, who would stop at nothing to attain it. The development of capitalism assumed a usurious character. In 1869, on the Paris stock-exchange alone,

securities worth 13 billion francs were quoted and the figure in 1908 was 42.8 billion. In just 1911, the total nominal value of securities reached roughly 110 billion francs, 70 billion being internal and 40 billion foreign ones. Before the 1914 war, about 75 per cent of the increment in the national wealth was accounted for by securities or branches serving rentiers. The inflow of capital into industry was weak. In 1908, functioning capital investment in industry and commerce was no more than 9.5 billion francs, though 104.4 billion were invested in French and foreign securities. This ratio did not favour the development of industry. The rentiers held on tenaciously to state rent, and the growth of the public debt strengthened parasitic tendencies. In the years preceding the First World War, there were about 2 million rentiers in France leading a parasitic existence mainly on interest, and half the national wealth consisted of securities.

In France, as in Britain, the extensive export of capital exerted an unfavourable impact on the development of industry. Its financial positions were weakened, since capital was leaving the country.

The rentiers lost interest in financing industrial production and the money that went to finance the Russian tsar or the Turkish sultan did not promote the development of this production. Some investment in colonies did, it is true, expand the raw material base of French industry and some capital exports were used to increase overseas sales markets. Even so, this did not change the generally parasitic nature of capital investment.

Colonialism, which was being vigorously implanted in Africa and Indochina by the French imperialists, also exerted a contradictory influence on the development of the Third Republic's industry. The colonies provided France with much (sales markets, raw materials, superprofits), but they diverted capital and engendered a tendency towards stagnation (as also happened in British industry). Since they were becoming accustomed to their monopoly position on colonial markets, French manufacturers were in no hurry to modernise equipment or update production techniques. Technical stagnation was an inevitable by-product of colonialism.

It is quite obvious that the lag of French industry was also connected with the development of monopoly capitalism. In his work *Imperialism, the Highest Stage of Capitalism*,

Lenin showed that the monopolies are partly responsible for technical stagnation in that they make it possible to reap superprofits purely commercially. The monopolists dominate the sales markets and technical progress ceases to be an economic necessity; many inventions are confined to the archives.

In general, the reasons for France's industrial lag in the period of imperialism are very complex, but it was both inevitable and logical, expressing the decay of capitalism, the intensification of parasitism, the senility of the capitalist system and the aggravation of its contradictions. The external influence (the loss of Alsace-Lorraine) and the specifics of economic development (parcel land-ownership, the backwardness of agriculture, the stability of the population number, shortage of such raw materials as oil, copper and zinc) merely intensified the main trend.

6. *The dynamics of industrial production.* France's industrial lag was not, however, an absolute stagnation. From 1870 to 1914, industry continued to develop and the volume of output rose substantially. The preconditions for this took shape in the preceding period: by 1870, France had a well-developed system of factory industry. This factory legacy also provided the basis for the further expansion of production. France had big capitals for financing industry, many branches of which possessed adequate raw materials (such as the silk and sugar industries) or semi-finished goods (the clothing and haberdashery industries). Colonial seizures extended sales markets and increased raw material resources. The concentration of production simplified the modernisation of its technology. Some industries were of military significance and were greatly encouraged by the government.

In general, therefore, the volume of France's industrial output increased from 1870 to 1914. In spite of the loss of Lorraine, the French iron and steel industry gained in strength and expanded its output more and more. This was achieved by developing the new ore deposits in the Briey basin. At the time of the Franco-Prussian war, France was producing only 1.3 million tonnes of pig iron a year, but the 1896 figure was 2.3 million and the 1913 one—5.3 million tonnes. Before the 1914 war, the French iron and steel industry was growing even faster than the German. Yet, at the beginning of the war, it was still producing only a third of Germany's output, half of Britain's and a sixth of the USA's. The lost time could not be made up quickly,



and the superiority of the German iron and steel industry became particularly evident during the war. It was the chief ace held by the Kaiser's militarism. France's steel output grew, but remained small: 110,000 tonnes in 1869, 900,000 in 1896 and 3,300,000 in 1910; the lag in this sphere was still significant. The output of hard coal was also rising, from only 13 million tonnes in the early 1870s to 30 million in 1896 and 39.3 million in 1911. France was still short of coal, and, in 1896, 8 million tonnes were imported. Imports continued to grow after this, to reach 22 million tonnes in 1913. Imported coal was more expensive. In 1912, French factories are known to have had to pay 40 per cent more for their coal than British ones. German competitors received it 20 per cent cheaper. In 1913, France's coal industry was producing only just over a fifth of Germany's output, over a seventh of Britain's and only a fourteenth of the USA's.

Some branches of engineering, in particular transport engineering, were developing intensively in France. Steam locomotives produced in Orleans and Belfort were of high quality and were even used on British and American railways. A motor industry grew up; French cars were considered the best in the world. It was in France that the first sophisticated submarine and the modern aeroplane were built. The country's "national genius" gave mankind the rapid-firing gun. Yet French engineering was well behind German, let alone American.

Several major inventions appeared in the chemical industry, but France still dropped further and further behind Germany.

Ship-building developed considerably, as can be seen from the fact that the sailing-ship was rapidly being replaced by steam ships, the total tonnage of which was quickly rising. From 1867 to 1871, it was no more than 144,000 tonnes but, by 1900, reached 528,000, though the total tonnage of the French merchant marine remained unchanged at 1 million tonnes. Meanwhile, the fleets of Germany, Japan and the USA were rapidly expanding. Again the specifics of France's industrial development left their mark: qualitative shifts were not backed up by a quantitative growth.

Railway construction was proceeding rapidly, and in this France came second only to the USA. From 1871 to 1901, the length of track increased from 17,733 km to 42,826, and, in 1911, reached 50,232 km. The laying of railways was of

military significance and of major concern to imperialist circles. The finances were always forthcoming.

Overall, French heavy industry was developing, but considerably more slowly than the German, American or even Russian. France became a secondary power in industrial terms.

Light industry continued to develop and, over the last thirty years of the 19th century, the amount of cotton processed rose by 50 per cent: from 100,000 tonnes in 1869 to 150,000 at the end of the century. From 1886 to 1914, the number of spindles in the cotton industry rose from 4.9 million to 7.4 million, or by 50.6 per cent. The French cotton industry's growth was twice as fast as that of Britain's, yet the lag was felt in light industry, too. Over the same period (1886-1914), the number of spindles in the USA's cotton spinning mills went up by 103.4 per cent, and the German figure was 128.1 per cent. The wool industry was also expanding its output: from 1871 to 1896 wool imports rose from 90 to 200 million kg, to which the 40 million kg provided by local sheep-breeding should be added.

It is important to note that the share of light industry was falling, as in other countries. For 1861-1865, the production of consumer goods surpassed that of means of production by 350 per cent, but the difference in 1896 was only 130 per cent. The ratio in Germany was similar—2.3 : 1 in 1895.

The power base of French industry was also expanding: from 1871 to 1897, the number of steam engines rose from 26,000 to 68,000 and their capacity from 315,000 to 1.3 million h.p.

In general, over the last thirty years of the 19th century, the volume of industrial output roughly doubled, but this did not eliminate France's industrial lag. From 1860 to 1913, industrial output only quadrupled, while in Germany it increased sevenfold and in Russia and the USA—thirteenfold. France was even behind the overall growth of world output (which rose sevenfold). France's share of world industrial output was falling and in 1913 was only 7 per cent.

7. *The concentration of industrial production and the formation of monopolies.* France's industrial lag also told on the rate of concentration of production. Even in the period of imperialism, these processes were proceeding more slowly than in other countries. The specifics of the branch structure

of French industry had a very strong impact. The production of luxuries still played a major role. In the clothing industry mechanisation was only finding limited application. The system of work at home, combined with factory production, expanded. The scattered manufactories proved extremely tenacious in France and in many branches of industry even handicrafts survived.

According to the 1906 census, the number of industrial enterprises on the territory of France reached 2,335,114, with a workforce of 6,227,227 (including owners and artisans, not only workers). Of these enterprises 1,661,426 were handicraft workshops not employing wage labour. In fact, another 596,811 establishments with only 2-5 workers, including the owner, should be added to these. Usually, the foreman had 2 or 3 workers under him, as in the Middle Ages. Consequently, there were only 76,877 capitalist-type enterprises out of a total of 2.3 million, but among them capitalist manufactories in which from 6 to 50 people were employed, predominated. There were 67,786 such manufactories, though there were only 9,091 enterprises with a larger number of workers. These employed only 30.1 per cent of industrial workers (owners and artisans). It is quite obvious that there were many manufactories in this group, too. Modern large-scale factories require at least 500 workers, but there were only 611 works of this size in France in 1914.

The lowest level of concentration was in light industry, where production was very similar to artistic handicrafts. Small enterprises with up to 10 workers accounted for 87.1 per cent of the total numbers employed in the clothing industry, 77.5 per cent in the wood-working, 71.8 per cent in the leather, and 75.6 per cent in the food industry. This shows clearly the reasons for the comparative weakness of industrial production concentration.

Even so, these processes were gaining momentum in France: in 1906, as already noted, there were only 611 large-scale works, but they employed 742,437 people. Small enterprises became dependent or simply went bankrupt increasingly frequently. The number of factory and office workers in them hardly increased from 1896 to 1906, while the numbers employed in large-scale enterprises (of over a hundred workers) rose from 1.1 to 1.5 million. Moreover, the concentration process was developing unevenly and surged considerably ahead in heavy industry. In 1906, for instance, 98.4 per cent of the workers in the mining indus-

try were employed by enterprises with over 50 workers. In the chemical industry, the share of those employed in such enterprises was 68.1 per cent, in the rubber and paper industries—69.1 per cent, in the textile industry—59.4 per cent, in the iron and steel—98.7 per cent, in the cement and ceramics industry—61.8 per cent and in the metal-working industry—45.4 per cent.

The concentration process was stimulated by the technical shifts that did take place in French industry. As mentioned above, iron and steel output went up, although, from 1869 to 1896, the number of operating furnaces fell from 288 to 107, and only eight were left that used timber as fuel. A major role was played by the centralisation of capital in the hands of big factory- and plant-owners. Moreover, the system of joint-stock companies was widely used, and this speeded up the mobilisation of capital.

Thus, in France, too, the concentration of capitalist production led to the emergence of monopolies. A salt cartel was set up as early as 1863. Monopolies began to appear in larger numbers in the 1870s, which was very early on. It was then that many joint-stock companies were founded in heavy industry, and this speeded up the formation of monopolies. Thus, in 1876, the metallurgical syndicate *Comptoir de Longwy* was founded, out of thirteen very big works. Later, in 1883, a sugar cartel emerged, to be followed by a kerosene one in 1885. From 1892 to 1897, syndicates sprang up in various branches of specialised metallurgy. From the end of last century, French manufacturers began participating in all sorts of international monopoly.

At the beginning of the 20th century, cartelisation embraced France's chemical and textile industries. The former was dominated by the Kuhlmann, St. Gobain and other concerns. Many joint-stock companies began to act as monopolies. Half the tonnage of the merchant marine belonged to three joint-stock companies. Concerns grew up that united very diverse enterprises. The policy of protectionism furthered the emergence of monopolies.

Thus, from the end of the 19th century, France entered the phase of imperialism. The domination of monopoly capitalism became characteristic of the Third Republic. As in Germany and the USA, the leading role was played by the barons of heavy industry, grouped in the *Comité des Forges*, which was headed by the owners of iron and steel and arms factories (Henry de Wendel, Schneider-Creuzot, and others). Organi-



sationally and financially, the French monopolies were, it is true, behind the trusts in America and even the syndicates in Germany, monopoly capitalism being more mature in these two countries.

8. *The dictatorship of the financial oligarchy.* One of the specific features of France's economic development in the period of imperialism was the hypertrophy of credit and usury. This had had an impact even in the preceding period, but it became even more pronounced in the period of imperialism. From the end of last century, usurious trends gained strength in the development of French capitalism. The mobilisation of small savings and capitals was stepped up and enormous capitals accumulated in the hands of the leading banks. This money was used extensively for financing industry and transport, and even more for obtaining state rents and high dividends from abroad. Finance capital appeared and the dictatorship of the financial oligarchy became established.

In his work *Imperialism, the Highest Stage of Capitalism*, Lenin showed clearly the formation of finance capital and the establishment of the dictatorship of the financial oligarchy in France. He noted that the three biggest banks—Crédit Lyonnais, Comptoir National and Société Générale—increased their capital from 200 million francs in 1870 to 887 million in 1909, and their deposits from 427 to 4,363 million over the same period. The number of their branches and cash points rose from 64 to 1,229. In the Crédit Lyonnais alone, the number of accounts increased from 28,535 in 1875 to 633,539 in 1912. This bank organised special departments for collecting financial data on the state of railway, industrial and other undertakings.

In this context Lenin wrote that, ultimately, "scattered capitalists are transformed into a single collective capitalist. When carrying the current accounts of a few capitalists, a bank, as it were, transacts a purely technical and exclusively auxiliary operation. When, however, this operation grows to enormous dimensions we find that a handful of monopolists subordinate to their will all the operations, both commercial and industrial, of the whole of capitalist society; for they are enabled—by means of their banking connections, their current accounts and other financial operations—first, to *ascertain exactly* the financial position of the various capitalists, to *control* them, to influence them by restricting or enlarging, facilitating or hindering credits, and finally

to *entirely determine* their fate, determine their income, deprive them of capital, or permit them to increase their capital rapidly and to enormous dimensions, etc."

In the same work, Lenin noted that the domination of the financial oligarchy in France "assumed a form that was only slightly different. Four of the most powerful banks enjoy, not a relative, but an 'absolute monopoly' in the issue of bonds. In reality, this is a 'trust of big banks'. And monopoly ensures monopoly profits from bond issues. Usually a borrowing country does not get more than 90 per cent of the sum of the loan, the remaining 10 per cent goes to the banks and other middlemen. The profit made by the banks out of the Russo-Chinese loan of 400 million francs amounted to 8 per cent; out of the Russian (1904) loan of 800 million francs the profit amounted to 10 per cent; and out of the Moroccan (1904) loan of 62,500,000 francs it amounted to 18.75 per cent. Capitalism, which began its development with petty usury capital, is ending its development with gigantic usury capital. 'The French,' says Lysis, 'are the usurers of Europe.' All the conditions of economic life are being profoundly modified by this transformation of capitalism. With a stationary population, and stagnant industry, commerce and shipping, the 'country' can grow rich by usury."<sup>9</sup> Lenin referred to the fact that fifty persons with a capital of eight million francs could, under the given financial oligarchy, hold sway over a capital of 2 billion francs. The "holding system" had the same outcome. Thus, the Société Générale bank issued 64,000 securities of its "daughter company" Egyptian Sugar Refineries, which were sold at 150 per cent, so the bank made "50 centimes on the franc". The dividends proved fictitious, however, and the purchasers of the shares lost 90-100 million francs. This episode clearly showed that "the French Republic is a financial monarchy", under which the financial oligarchy was in complete control of the press and even the government.

In the number of securities issued in 1910, France was behind only Britain and the USA. The total value of securities reached 110 billion francs. Germany was right behind France in this respect. Lenin connected this enormous scale of issues with the fact that Britain and France were the oldest capitalist countries and had the richest colonies, while

<sup>9</sup> V. I. Lenin, "Imperialism, the Highest Stage of Capitalism", op. cit., pp. 214-15, 233.

the USA and Germany were "capitalist countries leading in the rapidity of development and the degree of extension of capitalist monopolies in industry". Together, these four countries owned 80 per cent of the "world's finance capital" (479 out of 600 billion francs).<sup>10</sup>

France's banking system became even more consolidated between 1870 and 1914. True, the famous *Crédit Mobilier* collapsed in 1882, a victim of its own speculative operations, but other banks sprang up to provide long-term financing of industry and serve its issue operations. This was a new feature in the history of the credit system. Such banks were of major significance for the formation of finance capital. In 1872, a group of Paris and Dutch financiers set up the *Banque de Paris et des Pays Bas*, which later began to play a major role in France's economy. In 1904, the *Banque de l'Union Parisienne* was set up by bankers. Characteristically, an active part was taken in its organisation by the arms manufacturer Joseph Schneider. The system of the public debt continued to play an important part in the expansion of the credit system. In 1911, the public debt reached 26 billion marks, or 666.1 marks per capita. The citizens of the Third Republic were more burdened by it than even the British (330.3 marks each), the Germans (316.7 marks each) and the Americans (45.7 marks).

The concentration of banking capital reached a very high level in France. In 1914, the total sum was calculated at 11 billion francs, the lion's share of which belonged to the 5 biggest banks (*Crédit Lyonnais*, *Comptoir National*, *Société Générale*, *Banque de Paris et des Pays Bas* and *Banque de l'Union Parisienne*). The national wealth was also highly concentrated. Inheritance statistics show that there were 15,304 millionaires in France and that they accounted for over a quarter of the total wealth, though they constituted only just over 0.1 per cent of the total number of owners (12,131,000). Just 200 families, more powerful than the barons of mediaeval France, held absolute sway over the country's economy and politics. They constituted a true financial oligarchy, whose dictatorship was merely veiled by parliamentary forms. The level of the concentration of finance capital in France exceeded that of industry.

9. *Usury imperialism and its economic aggressiveness.* During the period of imperialism, France extended its

<sup>10</sup> V. I. Lenin, "Imperialism, the Highest Stage of Capitalism", op., cit p. 240.

economic aggression, for which purpose it used foreign trade and capital exports in particular.

The development of domestic commerce was very substantial, as shown by the growth of freight turnover: from 1869 to 1897 railway freight rose from 6.2 billion to 13.7 billion tonne-km, that travelling by rivers and canals from 2 to 4 billion. This also promoted the expansion of foreign trade, but the chief factor behind this growth was the development of industry, which required more and more raw materials (cotton, wool, oil, etc.). The pumping of raw materials out of the economically backward countries and colonies, in particular, became a very important task for the French monopolies.

At the same time, industry cast enormous quantities of finished goods on to the foreign market, since they could not be sold in France itself. Industrial exports grew and were used extensively for the commercial exploitation of agrarian countries. France's share in world trade was dropping at this time, and in 1913, it was 8 per cent (against 10 per cent in 1870). Until the end of last century, France was in second place after Britain but then dropped back into fourth place, overtaken by the USA and Germany.

Even so, France's foreign trade turnover was growing substantially. From 1867 to 1876, it stood at 6.7 billion francs, in 1898 at 8 billion and, in 1912, at 16.9 billion. Consequently, over the last thirty years of the 19th century, it grew quite slowly, but gained dramatic speed just before the First World War. From 1898 to 1912, foreign trade turnover doubled. In general, substantial changes were observed. Compared with 1859-1868, the physical volume of France's foreign trade had trebled in 1909-1914. In 1913, the country imported raw materials and agricultural produce worth 8.4 billion francs, 10 per cent of this coming from its colonies. Particularly characteristic, however, was the rapid growth of industrial goods exports, above all textiles.

From 1867 to 1876, the mean annual export of textiles stood at 21 million kg but, from 1887 to 1896, the figure was already 45 million kg. It was cotton fabric exports that grew fastest: from 1.7 to 13 million kg over these years.

France's industrial exports were, however, limited by the country's industrial lag. Capital exports acquired decisive significance for the economic aggression of French imperialism. These exports literally snowballed, and French imperialism spread its tentacles to embrace whole continents.



The growth of overseas capital investment became particularly intensive at the end of the 19th century: from 1880 to 1889, the annual average sum of exported capital stood at 487 million francs, but the figure had reached 1,368 million by 1900-1913. This was connected with the general changes taking place in the economy of imperialism. The total sum of overseas investment of French capital was 10 billion francs in 1869, 20 billion in 1890 and 60 billion by 1914, so it had doubled from 1869 to 1890 and trebled from 1890 to 1914. The main mass of French capital was invested in European countries, above all Russia.<sup>11</sup> The French rentiers considered the Russian tsar to be the most reliable of debtors. Before the war broke out in 1914, 13 billion francs of French capital was functioning in Russia, 80 per cent of this enormous sum going into the public debt of tsarism: this constituted an attempt to save the rotten tsarist regime with the help of Paris money-lenders. France did not use its colonies for exporting capital as much as Britain did but, by 1904, the Third Republic had 20 colonial banks with 136 branches. The commercial exploitation of the colonies was also stepped up: in 1913, their share in French exports was 13 per cent and in imports—9.5 per cent.

Capital exports were stimulated by the high profitability of overseas investment. The French bankers were helped by the Russian tsars, Turkish sultans, Romanian boyars, etc., not just the capitalists of various countries, to rob whole nations. The export of capital provided an opportunity to gain superprofits. It has been established that, in 1910, the return on overseas investment was 4.28 per cent, while that on internal, only 3.28 per cent. From 1871 to 1875, overseas investments provided France with an annual income of roughly 485-585 million francs, and from 1909 to 1913—1,705-1,805 million francs. French finance capital pumped the vital sap out of a whole number of countries, the usurious exploitation of which assumed considerable dimensions. From the end of last century, overseas revenues became the chief source for the export of capital, which began to multiply on the basis of its own profits. True "parasitism taken to a high degree" developed.

The export of capital was used by the French imperialists to fetter other countries. Lenin noted that the Paris banks

<sup>11</sup> See: V. I. Lenin, "Imperialism, the Highest Stage of Capitalism", op. cit., p. 242.

held whole branches of Russian industry in their hands, and the management of the Prodamet syndicate was based in Paris. French loans helped tie tsarist Russia to the Entente. From 1890 to 1910, France used loans to impose French-made munitions on Russia. When concluding the 1905 trade treaty with Russia, it, as Lenin put it, "pressed" Russia into granting trade concessions up to 1917. The same thing was characteristic of the 1911 trade treaty with Japan. Loans were also used to enforce supplies of munitions on Serbia.<sup>12</sup>

All this gave Lenin grounds for describing French imperialism as usury imperialism.<sup>13</sup> From the end of the 19th century, the export of capital also became characteristic, of course, of Germany and the USA, and Britain had been exporting capital in large amounts long since. Yet French imperialism made the fullest use of international money-lending.

*10. Military aggression and colonial seizures.* In many cases, economic aggression prepared the way for military, and culminated in political occupation, when directed against economically backward countries that were politically weak. The French monopolies participated in the redivision of the world, totally ignoring historical state frontiers. In November 1904, when the international rail cartel was re-established, French monopolists joined it and received a conditional production quota. The economic division of the world proved not enough for the Third Republic, especially since its industrial positions were quite weak and the lion's share of the spoils naturally went to the German and American monopolies. French imperialism began, therefore, to demonstrate considerable aggressiveness and orient itself on the political occupation of sales and raw material markets, and spheres of investment. The creation of a colonial empire was put on the agenda.

This seems paradoxical, since France was behind Britain, Germany and the USA in industrial terms, and it was, of course, precisely Germany's industrial might that provided the basis for that country's colonial expansion. The dialectics of history are such, however, that the monopolies pushed even industrially weak countries into expansion. Moreover, French imperialism strove to compensate for this weakness by means of colonial seizures. The idea was to increase France's economic resources by robbing the peoples of

<sup>12</sup> Ibid., p. 245.

<sup>13</sup> Ibid., p. 243.

Africa and Asia. Its industry needed many types of raw material. In addition, reliable spheres for capital export were needed. The pressure of the specific interests of the financial oligarchy proved very strong, as Lenin noted. Criticising Kautsky, he wrote that "the characteristic feature of imperialism is *not* industrial *but* finance capital. It is not an accident that in France it was precisely the extraordinarily rapid development of *finance* capital, and the weakening of industrial capital, that from the eighties onwards, gave rise to the extreme intensification of annexationist (colonial) policy. The characteristic feature of imperialism is precisely that it strives to annex *not only* agrarian territories, but even most highly industrialised regions (German appetite for Belgium; French appetite for Lorraine)." Lenin pointed out that the already complete division of lands made countries grasp for all possible ones during their redivision, while the struggle for hegemony results in the seizure even of territories that are not needed, merely in order to weaken the opponent.<sup>14</sup>

The colonial empire began to be created once more even during the first half of the 19th century. Napoleon I's failure in the struggle with Britain only temporarily discouraged the French colonialists. By the period from 1830 to 1847, Algeria was seized as a result of many years of struggle, and this opened up the way to Africa in general, so it is not surprising that French imperialism held on to the country so tenaciously for so long. France retained its possessions in the East Indies, consisting of several islands.

During the period of Napoleon III's Second Empire, France participated in the enslavement of China and followed in the wake of the British imperialists. At the same time, its aggression was directed towards Indochina, too. As early as 1856, the French squadron bombed the forts of Turan (in Annam). Later, from 1859 to 1861, Saigon was seized, and a year later the subjugation of Lower Cochin China was completed. In 1863, a protectorate over Cambodia was declared. Old plans for seizing the Middle East were resurrected so, in 1860, a military expedition was sent to Syria. This act of aggression was backed up by economic measures, too. The building of the Suez canal began, to be completed in 1869, opening up the way not only to the Middle East, but

also India; penetration of Egypt became also easier. True, the initiative was later taken over by the British colonialists and the canal passed to them. In 1862, Napoleon III attempted to seize Mexico and expand France's colonial possessions on the American continent. He interfered in the civil war in Mexico and sent a military expedition there. In 1863, France put the Austrian Archduke Maximilian on the Mexican throne, but he was overthrown and shot in 1867.

In general, France's colonial possessions at this time were not great. In 1860, they were 0,518 million sq km in area and had a population of 3,4 million. Even in 1876, France had only 0.9 million sq km of colonial territory, with a population of no more than 6 million. The French colonial empire was set up mostly during the period of imperialism, the French imperialists taking a very active part in the division of Asia and Africa.

Thus, in 1881 a protectorate was established over Tunisia as a result of an armed invasion on the pretext of fighting off frontier tribes. Algeria was used as a springboard. The plunder of Tunisia began and the peasants lost their land. Huge estates were given to generals, ministers, officers and even the editors of corrupt newspapers. The monopolies seized phosphates, iron ore and non-ferrous metals. Vast territories were seized in Equatorial Africa at the end of last century, at which time, too, the so-called "peaceful penetration" of Morocco began: the result was the declaration of a protectorate over the country in 1912. Military expeditions were disguised as research expeditions by archaeologists, botanists and zoologists. The aggression was backed up by the granting of loans on fettering terms to the sultan (in 1904 and 1910). The colonial adventurers assumed the role of "reformers" (1905) or defenders of the sultan against his subjects (1911). The end result, however, was military occupation, for which purpose all sorts of provocative actions were employed. In 1896, Madagascar was made a protectorate.

France's colonial possessions in the Far East also expanded. In 1874, a dictated deal was imposed on Vietnam and, in 1883, it was made a protectorate. Hanoi was in French hands. War with China became inevitable (1884-1885), and after its defeat, Tongking (part of Vietnam) devolved to the French colonialists. The treaty of 1884 abolished Vietnam's independence. Even tax collections and customs duties were now controlled by the French residents.

<sup>14</sup> V. I. Lenin, "Imperialism, the Highest Stage of Capitalism", op. cit., pp. 268-69.



The French capitalists received freedom of action in Tongking and the open ports of Annam. In 1887, Cochin China, Annam and Tongking were combined into the Indochinese Union. Later they were joined by Laos (in 1893), which had also been seized by the French. Saigon became the centre of this colonial empire. The expropriation of the population assumed a vast scale and the land was handed over to planters for a song. Bonded slaves (coolies) recruited in various places worked on the plantations. The system of customs duties put French goods in a privileged position from the sales point of view. Compradores robbed the country. In 1875, the Banque de l'Indo-Chine was set up, and French capital began flowing into the Far East. In 1913, direct investment of French capital in Indochina reached 350 million francs. It became a monoculture area, the export of rice bringing in enormous profits. The trade in spirits and opium was extensive. The introduction of a salt monopoly led to a hundredfold increase in its price, making it a luxury for the impoverished population.

By the time of the First World War, France already possessed an extensive colonial empire, with an area of 10.6 million sq km and a population of 55.5 million, while the territory of France itself was no more than 0.5 million sq km and the population, 39.6 million. The Third Republic with its "democratic" parliamentary system was, in fact, engaged in active colonial plunder. Lenin noted that, from 1876 to 1914, France seized three times more colonial territory than Germany and Japan together, though in terms of its own area and population it differed little from them.<sup>15</sup>

The colonial seizures by the French imperialists played a considerable part in the preparations for the First World War. The blame for it lies, too, with the French monopolies, money-lenders, big bankers and colonial adventurers. The division and redivision of colonies aggravated the contradictions of imperialism. The seizure of Morocco, for instance, aroused the dissatisfaction of German imperialism. In 1906, Germany demanded a "fair share" of Morocco, and on July 1, 1911, the so-called "panther's leap" ensued—a gunboat appeared off the coast at Agadir. The threat of a world war became reality then, but the actual event was deferred for

<sup>15</sup> See: V. I. Lenin, "Imperialism, the Highest Stage of Capitalism", op. cit., p. 258.

three years. The French imperialists hid behind the idea of revenge for the 1870-1871 defeat, but the return of Alsace-Lorraine was a matter of secondary importance. The struggle was mainly for colonies. In 1893, France concluded a union with Russia, which was, it is true, speeded up by Germany's aggressive policy. Later, in 1904, after dividing up Africa, France and Britain concluded a military union directed against Germany. In 1907, the British and French imperialists, using the financial dependence of tsarist Russia, managed to make it join the union to form the Entente, and this played a major role in the preparations for the disaster of 1914-1918. War was only a matter of time, pretext and occasion. On both sides this was an imperialist war, and was immediately unmasked as such by Lenin.

*11. The economic conditions of the workers and the class struggle.* France's class contradictions in the period of imperialism became very serious. The Paris Commune had shown clearly that French capitalism was heading for a fall. Only by means of bloody deeds was the bourgeoisie able to save its own dictatorship. In 1876, however, the Workers' Congress was held in Paris, and this constituted a major landmark in the history of the working-class movement. The Commune was alive in the workers' memories and its bloody overthrow cast a shadow on the democratic façade of the Third Republic.

At the same time, class contradictions gained even more in intensity as the economy developed. The steady ruin of the peasants led to their impoverishment. Debt bondage became unbearable to the owner of the land parcel, too. He was reduced to the status of a hired agricultural labourer, living under great difficulties. In the towns factory industry was also ruining the artisans. Once they started working in factories, the formerly independent craftsmen expressed their dissatisfaction with their new status. They saw the factory system of capitalist exploitation as forced labour, so petty-bourgeois elements of all sorts were not happy with the dictatorship of the financial oligarchy.

The main thing, though, was of course the contradiction between the working class and the bourgeoisie. It was the working masses that suffered most under the yoke of capitalist exploitation. Real wages, as Jürgen Kuczynski calculated, did, it is true, rise somewhat: taking 1900 as the base year, in 1871 they stood at only 71 per cent, but in 1914 at

105. This rise in wages was achieved, however, only as a result of a persistent struggle by the working class and of a broad strike movement. In addition, it applied mostly to the labour aristocracy, which also took shape in France (especially towards the end of last century). The number of foreign workers from Italy, Spain, Portugal and Poland in France continued to rise. The wages of these workers were very low, as were those of agricultural labourers, who received hardly enough to keep themselves alive. Even in the big towns and in factories, women were paid only 50 per cent of what the men received. The average wage of men was 6 francs a day, while that of women, 3 francs. Very many workers were employed in small workshops and in manufactory-type enterprises. Another large proportion worked at home, also receiving miserable wages and hardly making ends meet. French capital constantly extended the exploitation of the colonial reserves of manpower, for which even less than a subsistence wage was paid.

The political plans of the French bourgeoisie included nurturing the labour aristocracy, as they had been scared by the menacing events at the time of the Paris Commune. The Third Republic of the financial oligarchy waited apprehensively for a repetition, so the small rise in wages was partly explained by political factors. Economic ones were more important, though. The intensity of labour in the factories was raised to an extremely high level. The costs of manpower reproduction were rising. In the period of imperialism, this was observed not only in Germany and the USA, but also in France, where industry was developing slowly and was less concentrated. The productivity of labour was going up, mainly as a result of greater intensity. A clear idea of this is provided by the dynamics of labour productivity in the coal industry, where most of the work was manual and machinery was used only for certain operations<sup>9</sup> (hauling and transportation of the coal). From 1870 to 1889, the worker's daily output rose from 767 kg of coal to 1,066 kg, though no technological revolution took place in French mines at this time. In subsequent years, this rate remained stable or even dropped. In the metallurgical industry, the annual output per worker (taking the 1900 figure as 100 per cent) rose from 74 in 1873 to 100 per cent in 1900, and to 154 by 1913. The equipment in metallurgical plants did improve, however, and the rise in labour productivity was partially due to the concentration of production, an increase

in the size of furnaces and a modernisation of equipment.

The rise in wages mentioned above did not, therefore, imply an improvement in the economic condition even of the workers to whom it applied, for the rise in labour intensity made them even worse off. Using the latest machinery, the workers were stretched to the limit. Accidents were still common, since the operating speed of the machines was increased. There were often even fatal accidents: in 1870, 1871, 1876 and 1889 3 or 4 out of every 1,000 miners died. From 1871 to 1900, the number of fatal accidents in transport almost doubled (from 315 to 555). The working day was still very long, even though the intensity of labour had gone up. No details are now available, but in the 1870s people worked 11-12 hours, and still 10-11 hours in the 1890s. A certain decrease in working hours had taken place, but millions of people were still working just as many hours as in the middle of the century: hired agricultural labourers, apprentices in handicraft workshops, homeworkers of clothing manufactories, bakers, etc., had to work up to 16 hours a day. At the end of the 19th century, even the drivers of Paris omnibuses worked this long. Before the 1914 war, a working day of over 10 hours was common in French industry, too. The sanitary working conditions were very bad, especially in small enterprises.

Moreover, there was virtually no factory legislation. In this respect, France was behind Britain and Germany. Only in 1874 was a law on child labour protection passed. The minimum hiring age was raised from 8 to 12, but the working day for 12 to 16-year-olds and women up to the age of 21 was set at 12 hours (as it had been before). Work at night and on Sundays was, it is true, prohibited for these young women and children. Since November 2, 1892, this law was also applied to all women working in factories, irrespective of their age. At the same time, the minimum hiring age was raised to 13 and the working day of 13-16-year-olds cut to 10 hours, and that of 16-18-year-olds and all women to 11 hours. The 1892 law declared Sunday a compulsory day of rest for women and children. The enlightened manufacturers of the Third Republic conveniently forgot about this. The need for such declarations characterises very clearly the wage labour system in France at the time. Yet even this half-baked law was not actually implemented.

Unemployment again became the workers' scourge: by ousting them from economic activity, it condemned workers



to vagrancy, hunger and hardship. From 1868 to 1903, unemployment stood at 4-5 per cent, rising sharply at certain times. From 1895 to 1900, for instance, it embraced 6.6 to 7.3 per cent of the workforce. Industrial crises set in periodically, and were a disaster for the workers every time. The 1873 crisis was particularly serious, and was repeated only nine years later. In 1882, there followed the collapse of the stock exchange and, in 1883, all the key branches of industry were affected by a crisis of overproduction. Even state subsidies could not maintain railway construction. It was heavy industry that suffered most: in the iron and steel industry the crisis lasted four years and the volume of output dropped by 25 per cent; 50 per cent of furnaces were blown out; the output of rails fell to 40 per cent of its former level and ship-building dropped by two-thirds. In Paris alone, the number of jobless reached 180,000 in 1884, though the workers there numbered only 425,000 in all. Many became vagrants and were persecuted, as bourgeois "justice" demanded. During the 1890 crisis, railway construction contracted severalfold, the output of rails and the volume of ship-building dropped by a third, and the import of cotton by a quarter. In the coal industry, the stagnation continued for three years. In 1894, 25 per cent of metal-workers in the Nord department, and 33 per cent of the wool industry workers in the Marne department, etc., lost their jobs. About 30-40 per cent of the leather workers were unemployed (in the departments of Isère, Drôme, Indre and Loire).

In 1893-1894, unemployment affected from a third to two-fifths of workers in some trades (roofers and brick-layers in Paris, rope-makers in Lyons, marble workers in the department of Nord). The next crisis, in 1900, also engendered economic disruption and mass unemployment. The wool industry suffered from falling exports, as did the silk-fabric industry, and the use of cotton fell by 16 per cent (in 1904 even by 20 per cent). In the summer of 1901, 27 out of 82 furnaces were idle. Then came the 1907 crisis. In the period of imperialism, crises of overproduction became even more destructive and dangerous for the workers, as can be clearly seen from the fact that, from 1900 to 1909, loss of working time owing to unemployment and the shortening of the working week constituted 7-10 per cent, and over the first six months of 1914, directly before war broke out—10 per cent.

Under such conditions, the absolute and relative impoverishment of the working class understandably progressed

very fast. This was also characteristic of the Third Republic, in spite of the partial rise in real wages. Account should also be taken of the growth of the modern worker's requirements, which is unjustifiably ignored in various statistical definitions of the cost of living index. In addition, the structure of these requirements and the material cover for them differ. Transport, housing, and "cultural" outlays were rising. Simple leisure in the countryside, which was so accessible to anyone in the 18th century, became an expensive pleasure for the 20th-century worker, especially for those living in big cities. The worker had to buy the trade union newspaper, pay union membership fees, participate in amateur activities, mutual assistance measures, and so on. In many cases, the cost of acquiring skills went up, too.

It cost more to bring up children in a large town. Workers also needed savings to provide for time out of work, since unemployment became an increasingly mass phenomenon. Participation in strikes also entailed additional outlays, yet the workers could not do without striking.

As a result, even skilled workers lived hand to mouth, to say nothing of unskilled workers, those working at home, foreigners, hired agricultural labourers and single women. The class contradictions of monopoly capitalism in France became very acute. Worker strikes shook the Third Republic, arousing fear in the hearts of the financial oligarchy. From 1890 to 1900, the number of strikes fluctuated between 261 and 902 a year, the number of workers participating from 48,538 to 222,714, and the number of work days lost from 0.6 to 3.7 million. It is important to note that the majority of strikes ended in victory for the workers; in 1899, only 17 per cent of strikes were defeated. At the beginning of the 20th century, the scale of the strike struggle was expanding even more, and the average number of workers taking part in strikes every year, from 1900 to 1914, fluctuated between 99,042 and 438,466 and the number of work days lost from 1.7 to 9.4 million. Each strike demanded great sacrifices and the families of the strikers often went hungry.

Yet, powerful workers' organisations took shape in the course of the class struggles. In spite of the overthrow of the Commune and the terrorist tactics of the bourgeoisie, the trade union movement in France grew. It remained illegal for a long time, but on March 2, 1884, the Third Republic finally made concessions, fearing a new outbreak of class contradictions: the trade unions were legalised. At that

time, there were 68 professional-type associations in France and by 1900, their number had risen to 2,685. At this time, the trade unions already had 492,647 members, and in 1914—1,062,302. They became a strong organisation of the French proletariat.

The political consciousness of the workers increased, too. A new and extremely important factor was the spread of Marxism. Jules Guesde and Paul Lafargue, who became Marxists, took an active part in spreading socialist ideas. In 1879, the Third Workers' Congress, held in Marseilles, adopted socialist resolutions and recognised the need for the socialisation of the means of production, the creation of a workers' party and participation by the workers in the political struggle. Karl Marx, Jules Guesde and Paul Lafargue all took part in drawing up the Workers' Party programme, which was adopted in 1880. Two years later a split took place. Relieved of the Possibilists (reformists), the Workers' Party under Guesde disseminated Marxism, though opportunism affected it more and more. Anarcho-sindicalism became widespread in the trade unions. The "Socialist" Millerand joined the bourgeois Waldeck-Rousseau government (1899-1902). The opportunist group of Jaurès, Briand and Viviani took shape. In 1901, as a result of numerous conflicts, the Guesdists and Blanquists founded the Socialist Party of France, while the supporters of Millerand and Jaurès, the Possibilists and others organised the French Socialist Party. The latter party began to act as a sort of "Left-wing bloc" which, as Lenin put it, distracted the proletariat from the tasks of a socialist revolution "with promises of paltry social reforms".<sup>16</sup> The workers, however, abandoned this conciliatory grouping. In 1905, the two parties merged to form the United Socialist Party, but this merely accelerated the capitulation of the centrist trend, and parliamentary cretinism became characteristic even of the Guesdists. Under the leadership of Gustave Hervé, the anarcho-sindicalist wing gained strength. From 1909 to 1911, Aristide Briand, one of the Socialists, became prime minister and gathered around him all the renegades of socialism (Millerand, Viviani) and radicals. He proved a faithful servant of the financial oligarchy and directed the putting down of strikes.

<sup>16</sup> V. I. Lenin, "The Revolutionary-Democratic Dictatorship of the Proletariat and the Peasantry", *Collected Works*, Vol. 8, 1977, p. 298.

In 1913, in his note "The Briand Cabinet", Lenin wrote that Briand, who had originally been linked with the working-class movement, had betrayed the working class, sold out to the bourgeoisie, and became a renegade, and that his bourgeois government was "a most arrant and shameless band of financial sharks and swindlers".<sup>17</sup>

In 1914, the Socialist Party had 72,000 members and received 1,397,000 votes in the parliamentary elections. The quantitative growth of the movement did not, however, compensate for its ideological decline: opportunism triumphed. When the 1914-1918 war broke out, the leaders of the French Socialist Party supported the Entente and betrayed the class interests of the proletariat.

12. *The specifics of the economic development of France in the period of imperialism.* The specifics of the economic development of France in the period of imperialism have already been outlined, but need to be summed up.

1. During the period prior to imperialism, France went through the initial stages of a proletarian revolution, and this largely determined the country's subsequent development. In the other imperialist powers no such revolution took place.

2. The policy of imperialism and the dictatorship of the financial oligarchy was masked by democratic phrase-mongering in the Third Republic even more than in other countries, because here this dictatorship was implemented by renegades from socialism. Millerandism was initially a specific product of the Third Republic, and its political resources were not accessible either to Russia under the tsar or Germany under the Kaiser. Only from the time of the First World War did it begin to serve international imperialism.

3. American imperialism relied on inexhaustible agricultural resources, but France lacked these. French agriculture was developing slowly and became a victim of the parcellisation of land-ownership, mortgage bondage and the world agrarian crisis. There was a wide gap between agriculture and industry, as there was in Russia, too (where it was even greater and was aggravated by the survivals of feudalism). Landlordism developed in France (as in Britain), but very slowly.

<sup>17</sup> V. I. Lenin, "The Briand Cabinet", *Collected Works*, Vol. 18, p. 491.



4. In contrast to Germany, Russia and Japan, the industrial revolution in France was over by the 1870-1917 period and had exhausted its progressive opportunities. So, like Britain and the USA, France could not make use of them for rapidly developing its industry at the end of the 19th century. This was one of the reasons for French industry's lag (in addition to the agricultural contradictions).

5. The structure of French industry was increasingly affected by the "historical legacy" and the production of luxuries accounted for too large a share. The consequences of the "cotton industrialisation" initially characteristic of capitalism were felt longer and more strongly in France than elsewhere, so, in the period of imperialism, a significant difference emerged between the structures of French and world industry. This did much to weaken the positions of French imperialism in the world arena.

6. The concentration of production was taking much longer to develop in France than in other countries, owing to the specifics of the branch structure of industry and its general lag. French imperialism could not, therefore, make as much use as German and American imperialism of production concentration to strengthen its industrial might.

7. The monopolies themselves were not as mature in France in 1914 as they were in Germany or the USA; there were no branch trusts. As in Britain, the monopoly position was often assumed by joint-stock companies. Cartels became widespread as the first forms of industrial monopolisation; concerns also emerged. It is important to note that the concentration and monopolisation of French industry were developing very unevenly from one industry to another.

8. Although monopoly capitalism in France at the turn of the century was immature, capitalism was already decaying there (as it was in Britain), and more obviously so than in Russia, Japan, Germany and the USA. This seems paradoxical at first glance, but in fact is quite logical.

French capitalism had developed long since and had exhausted its progressive opportunities to a greater extent. The intensification of its contradictions had progressed very far, as the Paris Commune showed. Considerable free capital had accumulated and the development of capitalism took a turn towards usury. This was also furthered by the fact that land parcels made it difficult to use capital in agriculture, so it went into money-lending instead. The concentration of banking surpassed that of industry. In the development of

finance capital, France went even further than other countries. The export of capital assumed an enormous scale, and France became a classical country of bourgeois parasitism. Rentiers became typical there.

9. British imperialism rested on its colonial heritage; German and American on industrial might; Russian and Japanese had very strong military-feudal features; but usury constituted the trump card and economic support of French imperialism which is why Lenin defined it as usury imperialism.

10. French history demonstrated that an industrial lag, if only relative, does not exclude the possibility of a country's colonial expansion. Like Britain, France even tried to compensate for this lag by expanding. Finance capital has its own motives and the seizure of colonies is stimulated not only by the struggle for sales and raw material markets. The monopolies also need reliable spheres of capital export. As a result, the Third Republic even outdid Germany, Japan and the USA in seizing colonies, and a vast colonial empire was created.

11. The economic condition of the workers in France was changing just as in other countries (Germany, Britain and the USA). A labour aristocracy took shape, foreign workers were exploited on a wide scale, and unskilled workers received very low wages, as did agricultural labourers and women. The partial rise in real wages was connected with the increased exploitation of the working masses, a heightening of the intensity of labour, the result being higher costs of the reproduction of labour power. Sops to the labour aristocracy also had their impact. The workers were usually, however, deprived and had to struggle to survive. Since a substantial proportion of the workers were employed in small manufactories and even in handicraft workshops, the condition of the French proletariat was even worse than that of the British and American. There were also other factors accounting for this difference.

12. The French imperialists played an important role in preparing for the First World War and shared the direct responsibility for it. The only specific is that the imperialist goals (the struggle for colonies) were concealed in France by the ideas of revenge. Phrase-mongering about revenge and democracy was one of the Entente's trump cards, helping it to deceive the public.

## Chapter 7

### THE ECONOMIC DEVELOPMENT AND COLONIAL EXPANSION OF JAPAN

1. *The preconditions for and the nature of the Meiji revolution.* In the period of imperialism, Japan's economic development gained momentum. Japan was striving to catch up and become one of the imperialist powers. This was achieved as a result of the creation of factory industry, the construction of railways and a fleet, and the plunder of Korea and China. In 1904-1905, the Japanese militarists won a victory over tsarist Russia. The Japanese colonial empire arose and began to threaten China.

All this seems exceptional, considering that, in the mid-19th century, Japan itself was under the colonial yoke and in a very miserable condition. It had come to a dead-end and, remaining feudal, could not stand up to aggressive colonialism.

The turning point in its historical development was the so-called Meiji revolution in 1868. This is perhaps the most contradictory event in world history. The goal was to eliminate the despotic regime of the third Shogunate and the dominion of the Tokugawa dynasty, and the struggle was waged under the slogan of the restoration of real power to the Mikado. So, to this day, reactionary historians call these events simply "the restoration of the Meiji". The Shogunate was absolutism, yet its triumph heralded a bourgeois revolution. The task was to overcome the feudal regime but the samurai themselves took the most active part in achieving this. The princes of the South-Western provinces even supported the attack on the Shogunate.

The 1868 revolution was anti-feudal and bourgeois in social content. However, the Japanese bourgeoisie, like that of other countries, formed a bloc with the nobility, was servile to them and feared a radical revolution. The rich merchants of Osaka and other towns financed the South-Western princes, while the money-lenders of Edo supported the Shogunate, in an effort to ensure that their debts were not

just written off. Many merchants and money-lenders became feudal lords by buying up large tracts of land and began to exploit the peasants. Revolutionary surges remained alien to the Japanese bourgeoisie (as to the Russian, British and Prussian) and its role in the Meiji revolution was quite negligible. The decisive force of the revolution was the peasantry, but the peasants remained in the shadows all the time or were suppressed, and obtained nothing as a result.

The consequences of the bourgeois revolution were utilised primarily by feudal elements, who formed a bloc with the merchants and money-lenders. The enrichment of the bourgeoisie began later, and the peasantry came out of the revolution in an even more plundered state. It was at the expense of the peasants that the princes were financed.

In 1825, a revolution of the nobility was also on the cards in Russia, since the bourgeoisie had been too thoroughly servile to the tsar for too long, and the peasantry were cruelly oppressed by tsarism. Later, in 1861, for similar reasons an essentially bourgeois reform was carried out by the nobility. In Japan, the political struggle within the ruling class made such a reform difficult, but the break-down of feudal relations was also carried out from above, for the express purpose of averting a revolution from below.

In spite of this similarity, however, the Meiji revolution was quite unique in world history. The preconditions for it took shape slowly, as can be seen from the protracted decay of the feudal regime, the development of manufactory capitalism, the bankruptcy of the princes, the impoverishment of the samurai, the mass ruin of the peasants, the growing scale of peasant uprisings, the entrenchment of the country's economic backwardness, its transformation into a semi-colony, the political bankruptcy of the Shogunate and the financial crisis of its regime.

Feudal Japan was at a dead-end, and the only way out was capitalism. This was understood even by many representatives of the ruling class, especially the impoverished samurai who could not find themselves a place in the feudal hierarchy (the so-called *ronins*). The princes themselves (*daimios*) were in debt to the money-lenders and began seeking a way out of the situation in the development of capitalism. In South-Western Japan they built manufactories and expanded commercial operations. The peasantry, reduced to great poverty, continued to rebel. In 1866 alone, there were 17 major uprisings. This showed that the feudal aristocracy



could no longer rule by the old methods. Later, when the disagreements began between the princes and the Shogunate and the political regime became rocky, the menacing demonstrations by the peasant masses assumed even greater proportions.

In 1869, there were 42 uprisings, in 1870—31, and from 1868 to 1878 overall—185. Under these conditions, the samurai and princes, who came to power after the Shogunate had been overthrown, had to introduce anti-feudal reforms, in order to avoid popular reprisals. These reforms were a by-product of the anti-feudal revolution and the peasant uprisings. True, the revolution remained incomplete, power fell into the hands of the samurai and events did not take such a radical turn as in France and Russia. At the same time, the bourgeoisie did not play such an active role as in the Dutch, British and American revolutions.

The direct threat of colonial enslavement was of major significance. It hung over Japan and acquired specific forms. The European and American bourgeoisie began plundering the "Land of the Rising Sun". It could be saved only by a rapid development of factory industry, the building of a fleet, modernisation of means of communications, the creation of a regular army and renovation of the political machinery. All this was beyond the powers of the feudal regime, however, as it had become reactionary. Its economic and political bankruptcy was obvious even to the ruling class. Colonial aggression revealed this, as well as Japan's backwardness and weakness. Further retention of the feudal regime would have entailed a national disaster. It had to be eliminated on terms favourable enough for the ruling class.

Everything began with disagreements within this class, though they did not go beyond the commonplace conflicts of the feudal era. As early as 1862, prince Shimazu, ruler of the Satsumi principedom, sent his troops to Kyoto (the Emperor's residence) in an attempt to weaken the political positions of the Shogun. The Shogun made concessions and the system of hostages was abolished (certain members of the princes' families had had to reside in Edo with the Shogun). The princes obtained the right to meet to work out recommendations to the government. The attack by colonialists in subsequent years aggravated the situation, however, and this compromise proved unstable. The Shogun's capitulation to the aggressors discredited him. The British brought the

policy of "divide and rule" to Japan. They pushed the South-Western principedoms (Satsumi, Choshu, Tosa and Hidzen) into fighting the Shogunate. The merchants and money-lenders (Mitsui, Sumitomo, Konoike, Ono and Yasuda) financed the princes, hoping to save their debtors and reap spoils. In the summer of 1866, the Shogun attacked the principedom of Choshu, but was defeated, so in 1867 uprisings broke out in many places and the wave of peasant demonstrations grew. On behalf of the Emperor, the new Shogun Keiki was handed in a demand that the power be restored to the imperial family and accounts be presented of abuses that had taken place. In order to gain time, in September of that year the Shogun agreed to the abolition of the Shogunate. Moreover, he hoped that the estates and social privileges of the Tokugawa dynasty would remain intact. In fact, however, they were confiscated and an armed struggle became inevitable. In January 1868, the decisive battle was fought near Fusimo. The troops of the South-Western princes triumphed and the Shogunate fell. The civil war lasted eighteen months and ended with the fall of Hakodate (in June 1869). The government of Prince Arisugawa, consisting of aristocrats of different degrees, came to power (in January 1868).

2. *Bourgeois reforms.* It would seem that one feudal clique had simply taken over from another. The fact that the Emperor Mitsuhiro called his reign the age of Enlightenment (Meiji) did nothing to change the situation. Such coups had taken place previously in Japan's history. The elimination of the third Shogunate and the overthrow of the Tokugawa dynasty had tremendous anti-feudal consequences, however, and these went beyond the framework of internecine feudal dissents. A whole period of bourgeois reforms began in Japanese history, and these changed the situation in the country greatly and speeded up the development of capitalism, the growth of industry and the elimination of the colonial regime. Japan very quickly became an imperialist power itself. Bourgeois historians are inclined to explain this in terms of patriotic sentiments on the part of the samurai and the common sense of the princes. It cannot be denied, of course, that the Japanese aristocracy demonstrated considerable political sense in the given critical situation. In January 1869, about 200 feudals voluntarily gave up their estates to the Mikado but they had been compelled by circumstances to do this. The collapse of the Shogunate dealt

a blow to other feudal cliques, too. The impoverished samurai lost their faith in the feudal system and oriented themselves on bourgeois development, so the bourgeoisified samurai (Takayoshi, Toshimitsu, Takamora, Masujiro, Hirobumi, Kaoru and others) played an active part in implementing the reforms. The fact that the Meiji revolution did not placate the peasants was of decisive importance. On the contrary, in fact, in the 1870s peasant uprisings assumed a menacing scale. Japan was on the verge of a peasant revolution. The feudal regime had to be broken down. In order to eliminate colonialism, the development of industry and the building of the fleet had to be speeded up, and this meant bourgeois reforms. The question of the political consolidation of Japan arose.

As a result, economic legislation and political reforms in the subsequent period went beyond the scope of the Meiji revolution, which took place at the change of dynasties. These reforms were more radical than the 1868 revolution. True, the peasant masses did take part in it, for the South-Western princes promised to exempt them from taxes for three years, to reduce duties, and so on. The peasants were merely used, however, as a mass force for eliminating one feudal clique on behalf of another. The real anti-feudal events began later.

They were manifested in the implementation of a number of reforms, but these were mostly carried out under the influence of economic necessity, the threat of a peasant revolution and colonial aggression from outside. These reforms, like those in Prussia and Russia, were implemented by representatives of the ruling class and on the most favourable terms for this class. The elimination of the Shogunate did not abolish political despotism in Japan. A new form of absolutism took shape, its chief task being to suppress the popular masses. On April 6, 1868, Emperor Mitsuhiro made a solemn vow, promising a consultative assembly, the maintenance of peace, formal equality of all people before the law, elimination of outdated customs and the use of foreign knowledge. Then political disunity was eliminated. On June 17, 1869, an imperial decree obliged all feudals to hand over their estates to the Mikado. The feudals were to remain the hereditary governors of their former lands and be subordinate to the Emperor. A year later, however, Japan's territory was divided up into prefectures, each under a governor appointed by the Mikado. The police regime

became all-embracing and centralised. A strong army was needed to put down the popular masses. Detachments of samurai were not enough. In 1872, general conscription was introduced and a regular army set up according to the French model. From 1885, it began to be reorganised in a Prussian manner: Prussian barracks were more in the Japanese militarists' line. Only in 1881, under the impact of an intensification of class contradictions, did the Mikado promise a constitution, and only in 1889 was this constitution, copied from the most reactionary models, made public. The prototype for it was the Prussian constitution. The person of the Emperor was declared holy and all real power was concentrated in his hands. A chamber of peers was set up as the support base of the aristocracy. Moreover, many conditions were established for qualifying as electors. Thus, only 460,000 people took part in the 1890 elections, or about 1 per cent of the population of 42 million people.

Consequently, the Meiji revolution did not put an end to political despotism or bring a democratisation of Japan. The strengthening of the centralised state did, however, create the political preconditions for the development of capitalism and the elimination of colonialism. A whole series of economic reforms followed, and these boosted the development of commerce and industry on a capitalist basis. As early as May 1868, workshops and guilds were abolished. Japanese capital was released from mediaeval fetters. In 1870, the unification of laws and legal procedure was announced. Then, in 1871, all the Mikado's subjects were declared equal before the law and social discrimination abolished. Mixed marriages were permitted, and the discrimination against the *eta* class came to an end. A free choice of trade and activity was declared. Later, in 1872, freedom of trade and migration of the population was recognised. Taxes in kind were replaced by money taxes. One major event was the introduction of a unified money system. The fact was that, previously, very many princes had enjoyed the right to mint coins and issue banknotes. In 1867, there were 1,694 different types of money in circulation.

To this should be added the introduction of the Gregorian calendar, the abolition of clothing regulations, the separation of the Buddhist church from the state, the elimination of feudal guards, and so on. In 1871, a European-type postal service was set up. Japan was opened up for foreign capital without any restrictions. The Shogun's treaties were con-



firmed and foreigners were given imperial protection. On January 1, 1868, a decree was issued concerning the organisation of international relations. The task was set of making the most extensive use possible of foreign technology and science, and in December 1871, the Iwakura mission was sent abroad. Over two years it visited many countries. When building its fleet, Japan copied the British one. A law was passed on primary schools, and in 1872 Tokyo University was founded. In 1871, the first daily newspaper began to appear.

All these numerous reforms and measures were progressive in character and facilitated the development of capitalism. More favourable conditions were created for the expansion of trade, industry and shipping. Japan entered a new phase in its development. The ground was being prepared for the elimination of colonialism.

Of even greater significance was the agrarian reform. For all its limitations, it meant, in the main, the elimination of the feudal regime in the countryside. For this purpose, the fiction of state land-ownership was used. The Civil Code of Taiho of the 9th century A.D., according to which the land belonged to the Mikado, was recalled. This provision was now used to abolish feudal land-ownership. The land was formally returned to the Emperor and then handed over to the population. The feudal right to own land and people was abolished. The agrarian reform of 1872-1873 sanctioned private ownership of the land, permitted its sale, purchase and mortgaging and so on. The land became more accessible for capital. Special certificates were issued for registering land-ownership rights. The restrictions introduced in the feudal period on the area under individual crops were lifted. The elimination of feudal land-ownership in Japan was facilitated by the domination of the quit rent system. The Japanese feudal lords, like their Chinese and French counterparts, did not run their farms themselves. The land was divided up among peasant holdings and the agrarian reform was based on the rule that the land was recognised as belonging to those who actually worked it. As a result, those who had held the land by succession became the owners of their plots, as happened in France at the end of the 18th century and in Russia after the 1861 reform. Their economic conditions remained extremely difficult, however. The plots were very small, and large sums had to be paid for them. Moreover, there were heavy taxes, so the peasants soon began to

lose their land. Over only ten years, 70 per cent of the Japanese peasants became tenant or semi-tenant farmers.

The agrarian reform was accompanied by elimination of the feudals' and princes' large landed estates, while the samurai's small estates remained: the reform was not very consistent. In addition, the landlessness of the tenant farmers was sanctioned. They did not obtain the right to be private land-owners, though they worked the land. At the same time, the peasants lost their mortgaged plots. Thus, the money-lenders and rich peasants legalised their land acquisitions of the previous period, while the peasants lost over 30 per cent of the arable land. A broad stratum of "new land-owners" emerged, which became the support of absolutism in the Japanese countryside. Finally, the peasants lost much common land (forests, meadows and marshes), which were declared state property.

Consequently, in Japan, too, the elimination of feudalism was accompanied by the land dispossession of the peasants. This was inevitable, since the agrarian reform was carried out by the feudals themselves (as it had been in Prussia and Russia). Moreover, it was inseparably linked with the financial robbery of the masses, above all the peasantry. The princes and samurai sold their feudal privileges for a profit. The government guaranteed to pay off the princes' debts in order to placate the Osaka money-lenders. To cover these obligations, a government loan was issued and the public debt was increased to 41 million yen. Only debts of the Shogun were annulled. The samurai were paid pensions. In 1873, the abolition of rice stipends followed, but six years' compensation was paid, half of this in cash and the rest in treasury bills (8 per cent). The princes received even more generous hand-outs. Their right to the land was paid in full by means of loans. Outlays reached 174 million yen, not counting the interest on these loans. The princes at first received pensions, but later a one-time lump-sum compensation. They became the owners of securities. The pensions of the samurai and daimios cost 210 million yen.

Overall, the 1872-1873 agrarian reform did not resolve Japan's agricultural problems. The survivals of feudalism remained, and land dispossession and financial robbery of the peasants engendered new contradictions. Fettering rents became characteristic of the Japanese countryside the masters of which were the "new land-owners".

The agrarian reform was accompanied by a tax reform.

Under the Shogunate, the chief tax was the land tax, collected in kind as a specific share of the harvest. The harvests fluctuated, however, so the tax sums did too. Conflicts arose over the calculation of taxes. Moreover, the new government needed money for financing the army, officials, the construction of railways, the building of a fleet, and so on. Therefore, in 1873, the land tax was translated into money terms at 3 per cent of the value of the land. The land, however, was valued too highly, and the tax burden increased. Now the tax had to be paid in full even after a bad harvest. During the taxation period, the peasants had to sell their output cheaply.

It is not surprising that this reform gave rise to a new wave of peasant uprisings. The government was alarmed and, in 1876, reduced the tax rate to 2.5 per cent of the value of the plot of land. This episode shows clearly that, in general, the anti-feudal reforms following the Meiji revolution were carried out under the impact of the peasant uprisings, threatening a real revolution.

3. *Japan's agriculture in the age of imperialism.* The elimination of the feudal regime exerted a positive influence on the development of agriculture in Japan. Millions of peasants became the owners of plots of land and began to demonstrate greater interest in improving agriculture. Feudal arbitrary power disappeared and the peasants could sow whatever they found profitable. Freedom of commerce triumphed and sales of output did not come up against the former restrictions. The feudal regulation of trade came to an end. Bourgeois ownership received more reliable guarantees and the flow of capital into agriculture gained in strength. The expansion of internal and foreign trade also exerted an impact that speeded up the commercialisation of agriculture. It was stimulated even by forcible methods, since the land tax began to be levied in money form. In order to pay it, the peasants had to sell part of their harvest. Japan was soon drawn into world trade and became a supplier of certain types of agricultural raw material. This gave rise to an expansion of the area sown to industrial crops. The intensive industrialisation of Japan exerted a strong and positive influence on the country's agriculture. Industry demanded raw materials and expanded the technical base of agricultural production. The rapid population growth increased the reserves of manpower. In 1850, the population stood at 30 million, in 1872—at 33 million, in 1889—40 million and

1909—50 million, while over the last century and a half of the Tokugawa period, the population had remained unchanged. Terrible starvation had wreaked havoc: from 1690 to 1840, there were 22 registered famines, usually accompanied by epidemics. The presence of large quantities of manpower made it possible either to expand the agricultural area or intensify farming methods.

For this reason, during the period of imperialism, a whole series of progressive changes took place in Japan's agriculture. These were manifested in an expansion of the farmed area, an intensification of agriculture, a rise in yields, increased output, and development of commercial agriculture and partly of agrarian capitalism.

It has been calculated that, in 1910, 15 per cent of the territory of Japan was cultivated. From 1905 to 1928, the area increased by 1,723,000 acres. On average, this meant an annual expansion of 75,000 acres, which was achieved by means of the ploughing of waterless lands, mountain slopes, and even volcano craters. Colonisation of the Hokkaido island assumed major significance, and the government introduced all sorts of incentives to this. A major part was played by the increase in the area of rice plantations. From 1878 to 1908, they expanded by 13.7 per cent. Since ancient times, the Japanese peasants, like the Chinese, had collected all sorts of rubbish to fertilise the land. Now, as the towns grew, new opportunities arose for them. Urban waste was carried out onto the fields and this became a very important business. From 1887 onwards, the production of phosphate fertilisers began, and these were used extensively in agriculture. The harvests rose markedly: the average rice yield from 1880 to 1884 was 24.16 bushels, but by 1924-1928 it had reached 37.7.

The total volume of agricultural output roughly doubled over the twenty-five years preceding the First World War. From 1879 to 1883, the average rice harvest was 30.8 million koku, while from 1909 to 1913 it was 50.2 million. The mean annual barley harvest increased from 5.5 to 9.6 million koku, and that of wheat from 2.2 to 4.9 million. In spite of the rapid population growth, the production of rice kept up with it. In 1880, there were 4.46 bushels per capita on average, and in 1928—4.67 bushels. The increase in the output of the rice plantations is considered to have been achieved mainly through a rise in their productivity, and only partly by means of an expansion of the sown area. The share of



new plantations in the output increment from 1880 to 1928 was 25 per cent. We must also take into account that rice was the chief food consumed by broad strata of the population. From 1887 to 1891, the per capita consumption of rice averaged 296 pounds, that of barley—57 pounds (from 1892 to 1896), and that of wheat—only 31 pounds (1892-1896).

At the same time, the output of industrial crops went up. By the end of the 16th century, the Spaniards and Portuguese had brought cotton seeds to Japan, and cotton cultivation had been constantly expanding ever since. After the Meiji revolution, the development of the textile industry promoted the expansion of cotton-growing and its output grew. In 1887, it reached its maximum of almost 0.5 million piculs. Japanese industry was almost fully supplied with raw material, and only a small quantity was imported from China. True, in the subsequent period, cotton-growing began to diminish and, by the end of the 19th century, was quite negligible. Japanese industry was oriented on the processing of cheaper raw material of Indian origin. The cotton manufacturers were not interested in the fate of Japanese agriculture. In 1896, even import duties on cotton were abolished. Tea plantations, on the other hand, were constantly expanding, providing a valuable export item. Japanese tea competed successfully with Chinese. In 1904, tea exports brought in 12.8 million yen, but silk-farming was of even greater significance. From 1868 to 1883, it had increased by 64.3 per cent. Waterless lands and mountain slopes not suitable for rice-growing were used for silk-farming. From 1905 to 1928, the area occupied by silk farms, tea plantations and other special crops increased by 15.6 per cent, while the area of rice plantations also rose, but only by 10.8 per cent. From 1909 to 1913, the output of Japanese silk-farming (average per annum) was 640 per cent above the 1883 level, and even 12.1-fold greater than in 1868. The export of silk from Japan was rising rapidly. In 1907, it was assessed at 160.2 million yen. In 1909-1913, the annual average export of raw silk (in physical terms) was 14.6-fold higher than in 1868, and 7-fold greater than in 1883. Silk became a foreign currency earner for Japan and was in great demand on the world market. The textile industry was fully supplied with this valuable raw material.

The economic achievements of Japanese agriculture at the turn of the century should not, however, be exaggerated. In growth rate it was well behind US agriculture, which was

developing extraordinarily fast, the reasons for this being not only a lack of territory for colonisation and expansion of agricultural land. Japan was also behind Germany and Britain in the mechanisation of agriculture. The equipment used was still primitive and hand-operated, and the small increase in output was achieved by means of enormous inputs of human labour. Even draft animals were used very little, and the Japanese peasant did not even dream of machinery. He pumped water by foot and worked the land with a hoe. The produce and other freight (including fertilisers) were transported by cart, pulled by the peasant himself rather than an animal.

Big capital avoided agriculture, preferring speculative application in the sphere of circulation, industry and colonial adventures. Agrarian capitalism developed on the basis of differentiation of the peasantry, but extremely slowly. No capitalist-type farms appeared in Japan on a mass scale and large-scale agricultural production on a capitalist basis was very rare. After 1868, many "new land-owners" of bourgeois origins appeared in the Japanese countryside (merchants, money-lenders, rich peasants) who actively bought up the land. As in China, however, they preferred to rent the land out, since rentals were very high. The land became accessible to capital, yet this did not lead to the broad development of capitalism in agriculture or the organisation of large-scale undertakings. Excessive rents and other survivals of feudalism were in the way and neutralised capitalist tendencies in agricultural production. Omnipotent capital itself became adapted to feudal bondage and used it for the harsh exploitation of the peasants.

The reason for this was that the Meiji revolution did not eliminate the political domination and multiple privileges of the feudal elements; the bourgeoisie betrayed the peasantry and joined sides with the samurai, bowing before the princes. The reform of 1872-1873 did not resolve Japan's agrarian problems: it retained the survivals of feudalism and legalised the expropriation of a significant part of the peasantry (tenants and poor peasants who had mortgaged their land). Even the peasants who were recognised as the owners of their land soon lost it, since they could not pay the land tax or rent, pay off their debts to money-lenders, interest, and the like. The sale of peasant lands became a mass phenomenon by the 1880s: from 1883 to 1890, 367,744 peasant farms lost their land, which was sold to cover their arrears.

In 1884 alone, 4.8 per cent of peasant land was sold off, and in 1886—another 5.1 per cent. After losing their land, the peasants had to rent it on fettering terms from the “new land-owners” (including former samurai). As in China, in Japan the share of tenant farmers was constantly growing. In the first years of the Meiji period, the figure was only 20 per cent, but by 1887 it had reached 40 per cent and by 1914—nearly 45.5 per cent.

Moreover, rents were very high and swallowed up from 25 to 80 per cent of the rice harvest. On average, they stood at 50 per cent of the harvest. From waterless lands the rent was also charged in kind, but was being translated more and more often into money terms.

Under the harsh rent terms, the land-owners had the right to throw the tenant off, raise the rent, confiscate the harvest if the tenant did not fulfil some demand or got into arrears. It is important to note that the tenant's share of the income from the land remained at the level of 32 per cent, as it had been in feudal times, while that of the state had dropped from 50 to 34 per cent on the eve of the land tax reform, and again to 12 per cent after the cut in the tax effected in 1876. Meanwhile, the share of the income going to the land-owner rose from 18 per cent in the feudal period to 34 per cent on the eve of the reform in 1873, and to 55 per cent after it (as the average rice prices for 1874-1876 show). Consequently, in the “new Japan”, land exploitation of the peasants even grew in intensity to reach rates unattainable in the feudal era. Thus, the land rent received on fettering terms proved much higher than capitalist profits. Under these conditions, “new land-owners” of any origins preferred to lease out the land and receive a high rent rather than spend additional capital on organising production.

There were still many peasants in Japan, it is true, who owned the plots of land they tilled. In 1914, they constituted 33.4 per cent of the Japanese peasantry. Moreover, semi-tenants who owned small plots themselves accounted for 27.4 per cent of all peasants. Both groups suffered, however, from an extreme shortage of land. In 1874, the average peasant holding was only 0.95 hectare (both owned and rented), and in 1909—0.96 hectare. The Japanese peasants were just as short of land as were the Chinese. In addition, taxes were very heavy. The land tax and local taxes swallowed up about 30 per cent of the gross income. Rice prices fluctuated greatly and, during the harvest period or when taxes were

collected, they were very low indeed. Money-lending flourished and, in order to pay their taxes, the peasant had to borrow money at very high interest rates: 13 per cent was considered generous on the money-lender's part. The peasants sought additional occupations: they fished off the coast, spun, made fabrics, mats, pottery, and so on. The economic expansion of the factory system and the import of foreign goods, however, suppressed the peasants' “cottage industry”. Poverty became the lot of the Japanese peasant even if he owned a plot of land.

In Japan, as in China, India and Russia, in the period of imperialism the agrarian overpopulation increased even more. Bourgeois economists interpret this, on the basis of Malthusian dogmas, as an absolute overpopulation; in fact, however, it was relative and was primarily a result of the survivals of feudalism, the system of fettering rents, large-scale land-ownership and usury.

The question of the development course taken by capitalism in Japanese agriculture is of considerable interest. The revolutionary course of this development, which was characteristic of France and, partly, of the USA, was alien to Japan since feudal survivals persisted in the Japanese countryside. The farmer's way, well known in Canada, the USA (the Northern regions), Australia and New Zealand, Siberia and the South Ukraine was also alien to Japan. Capitalist farmers appeared too slowly among the enslaved peasants of Japan, even though they owned small plots of land. It would seem that the Japanese variant of the genesis of capitalism might be called landed-estate, or Prussian, the course so typical of Prussia, central Russia, Poland and Hungary. Indeed, they had much in common, since in Japan, too, capitalism developed under conditions of extreme land-starvation of the peasants, a bourgeoisified nobility, excessive rents, and so on. In contrast to the Prussian Junkers and Russian land-owners, however, the Japanese samurai did not run their own farms or set up farms on a large scale. Nor were the “new land-owners” inclined to do this. The absolute domination of the quit rent system in the feudal era exerted an impact on the later genesis of capitalism in Japanese agriculture, too. At the same time, the Japanese development course cannot be identified with the British one, though there were similarities between them (in both cases the land-owner confined himself to collecting rents, and social parasitism was developed to the extreme). British landlordism



was inseparably linked with the formation of a class of capitalist farmers, while in Japan this did not happen. Very few large-scale capitalist farms appeared in Japan, where the land was not completely purged of small-holders and an agrarian revolution in the British sense stopped in its initial stages, for even the expropriated peasants remained in the countryside, swelling the ranks of the tenant farmers.

A special type of capitalist genesis, characteristic of China, Japan and India, should evidently be identified. It is difficult to determine its common features, but in general this was the excessive rent course of development. Capital penetrated into agriculture, but merely increased rent even further and did not create large-scale forms of capitalist production. Profits capitulated before rent, which was more attractive to the land-owners. Capitalist exploitation adapted itself to the survivals of feudalism and applied harsh forms of land bondage. This bondage, which was extraordinarily harsh in these countries in the feudal era, remained to be used by the bourgeoisie under capitalism. It told on the genesis of capitalism in China, Japan, and India much more strongly than even in Russia and Prussia, let alone France, Italy and Spain. In Britain, the problem was erased by the cruel elimination of the peasantry and, in the USA, by the process of colonisation and even harsher expropriation of the Red Indians.

4. *The establishment of state capitalism.* The outcome of the Meiji revolution was clearer and more radical in the spheres of commerce, banking, transport and industry. After 1868, Japan was firmly on the way to capitalist industrialisation and, in the period of imperialism, became a sort of "Britain of the Far East". True, in the first few years after the elimination of the third Shogunate, capitalism developed very slowly, though the manufactory system emerged as early as the 17th and 18th centuries and, in the 1850s and 1860s, an industrial revolution began. During these two decades, shipyards, arsenals and textile mills appeared in Japan.

The reasons for the slow development of the factory system straight after the Meiji revolution consisted in the retention of many survivals of feudalism, the political power remaining in the hands of feudal elements, the Japanese capitalists preferring the sphere of circulation and using their capital for speculative purposes and usury. Land rents were so high that many capitalists preferred to buy land and

avoided industrial investment. Industrial profits were considerably below land rents. Japanese merchants and money-lenders had no clear idea of factory production or how to organise it, while the technical intelligentsia in Japan had not yet taken shape. Another factor was that manufactory industry had not been developed intensively during the feudal period, while the primitive accumulation of capital remained limited. Foreign sources proved inaccessible for it and Japan did not take advantage of the opportunities offered by mercantilism and colonialism. In all, in the early 1870s, the country was economically backward.

For this reason, the samurai government in the "new Japan" worked hard to establish a sort of state capitalism, explain to the bourgeoisie its historical role, and give the merchants and money-lenders a taste (as Peter the Great put it) for factory activities, the construction of railways and a sea fleet, and the creation of a banking system for Japanese capitalism. Amazingly, it was the Japanese samurai who taught the bourgeoisie about capitalist money-making. This was, in a way, the final act to the many centuries of servility the Japanese bourgeoisie had shown to the princes and Shogunate. Even when its hour came, it was unable to get to its feet independently, needing the support of samurai "crutches". The government, of course, had military tasks to fulfil and the creation of an arms industry and a Navy were the primary ones. Otherwise Japan would have succumbed to the threat of colonialism. The establishment of state capitalism pursued other goals, too, however. The idea was to speed up the country's commercial and industrial development and the triumph of capitalism, to accelerate the primitive accumulation and enrichment of the bourgeoisie by robbing the masses, to expand the factory system of capitalist exploitation and strengthen the union of the land-owners with the bourgeoisie. The generous financing of the bourgeoisie at the peasants' expense was a sort of expiatory sacrifice of the Meiji revolution, which left the power in the hands of feudal elements. By speeding up Japan's capitalist development, these elements strove to stop the revolution taking deeper root. They encouraged bourgeois treachery, since they feared a radical revolution of a peasant type.

The very logic of events in 1868 prompted the government to establish state capitalism. Many industrial enterprises previously belonging to the Shogunate and individual princes

were confiscated. They included a shipyard in Kagoshima (belonging to the Satsuma princes), the Sekiguchi arsenal in Tokyo, and Nagasaki foundry, the Ikuno silver mines and the Sado gold mines (all of which belonged to the Shogun). The Kozaka silver mines, the Daikatsu and Mayama gold mines, the Takashima and Miike coal mines, the Akabane mechanical engineering works, the Sakai spinning mill and others were confiscated from various clans. The government tried to use this industrial heritage of the feudal era to speed up the development of capitalism and the creation of an industrial base for the "new Japan". It engaged the services of foreign experts, reorganised its own factories and plants, modernised their equipment and advertised them as models to be copied. By 1872, the government had about 200 foreign experts working for it.

Quite soon, however, Japanese-type state capitalism went beyond these narrow confines. The samurai government began using treasury funds to build new enterprises, above all in the arms industry. In 1870, for instance, the Osaka arsenal was established, and the shipyard in Yokosuka greatly expanded. Later, over 1,800 people were to work there (in 1881), and naval schools and technical colleges were founded, including engineering ones, where foreigners lectured. At the same time, students were sent to study abroad. In 1876, a broadcloth mill was equipped to make army uniforms. The next year an industrial exhibition was opened in one Tokyo park.

The Japanese samurai supported not only the arms industry, but also Europeanisation. They enlightened the Japanese bourgeoisie, demonstrating the technical achievements of the capitalist world and the latest methods for exploiting the masses more intensively. Moreover, state capitalism was extended beyond the bounds of the arms industry and was actively implanted by the government in many branches of production. In the 1870s, brick and cement works, broadcloth and cotton mills, sugar, soap and other factories were built on the taxpayers' money. In 1870, silk-reeling factories were set up according to Italian and French models. Consequently, the expansion of state capitalism spread to light industry, even to Japan's traditional silk-reeling production. The samurai believed firmly in the state principles of impending capitalism and considered that official help would be needed in all industries. Japanese absolutism became a sort of industrial power within the country. In

1880, the government owned 3 shipyards, 5 munitions factories, 10 mines, 52 factories, 51 merchant vessels, 76 miles of railway line, and a telegraph system.

State-organised construction of plants and factories was, however, considered to be a temporary measure. The bureaucratic system of Japanese absolutism could not cope with all the industrial problems of the island empire. The future belonged to capitalism of the usual type, and the capitulation of the samurai before it was inevitable. They themselves hurried to adapt to the new conditions of economic development. Impoverished samurai were granted special subsidies to organise commercial and industrial undertakings. The appointment of samurai as directors, etc. was encouraged.

By the 1870s, the government was taking many measures to expand private industry. In 1869, for instance, a commercial bureau was set up to enliven foreign trade and expand exports of Japanese handicrafts. Later, the government itself engaged in export operations, buying up rice, tea and silk and putting them on the world market. It imported industrial equipment and materials that were in short supply, and then sold them to Japanese manufacturers. The government stimulated the creation of commercial companies (*Tsusho kaisha*) and credit associations (*Kawase kaisha*).

In 1872, permission was granted for the establishment of European-type banks with the right to issue banknotes. From 1876 to 1880, 148 national banks were founded with active government participation. Private manufacturers were granted generous subsidies.

Finally, on November 5, 1881, a law was passed putting the plants into private hands. The government officially admitted that state factories had been set up to enrich the bourgeoisie and those samurai who had become entrepreneurs. Shameless robbery of the treasury began, in the guise of all sorts of financial measures.

Thus, the spinning mills in Hiroshima and Aiti were sold to the prefecture of Hiroshima and the Shinoda company; the Shinagawa glass works was handed over to the Ishimura company; the Shimmachi spinning mill to the Mitsui company, which also received a silk-reeling factory in Fukuone; the Fukagawa cement works was bought by the Asano company; in 1884, a large shipyard in Nagasaki was leased out, and then sold outright to the Mitsubishi company. In 1896, this company bought the Ikuno silver mines and the Sado



gold mines. The Miike coal mines also fell into its hands. The Furukawa company acquired two gold mines (the Ani and the Innai). State-owned enterprises were sold cheaply to various companies and were handed over in payment of government debts. Preference was given to government creditors. The lion's share of the spoils came to the Mitsui, Mitsubishi, Sumitomo and Yasuda families. The Kawasaki, Furukawa, Tanaka and Asano families all grew rich at the treasury's expense. The despotic regime of absolutism began to serve the capital of the new system.

This far from completes the history of state capitalism in Japan, however. In some spheres of the economy, it continued to become entrenched even later on. In particular, as in other states, the means of communications remained under government control. In 1869, a telegraph service was set up. True, the telegraph wires were extended only very slowly at first, but by 1910 there were already 101,500 miles of them. Telephones appeared somewhat later. The length of telephone lines grew rapidly. In 1891, there were only 80 miles, but by 1910—262,000 miles. Projects were put forward for making communications enterprises private, but they were rejected by the government for the clearly political reason that it would then be difficult to maintain state secrets.

In the sphere of transport, state capitalism proved very tenacious. This was partly because of the military significance of the railways and sea fleet, and also because of the trends in the economic policy of Japanese absolutism. The construction of the railways in Japan was, right from the start, a state matter. Soon after the Tokugawa Shogunate was overthrown, a plan was elaborated for constructing railways, envisaging rail links between the cities of Tokyo, Yokohama, Osaka, Kobe and Kyoto. Since the government lacked the necessary capital, it had to turn to foreign loans. The first of these was received in London (£913,000) in 1870 and immediately, under the guidance of the British, the construction began of two short railway lines. The Tokyo-Yokohama line (18 miles long) was completed in 1872, and the Kobe-Osaka line (20 miles) in 1874. Later, in 1878, an industrial loan was issued, and large sums of this were allocated for railway construction. Once the loan was exhausted, the government turned once again to encouraging private capitalists to finance this construction. In 1881, a railway company with a capital of 20 million yen was set up; it received land and government guarantees of a minimum

8 per cent profit (for 10-15 years), but the company was state-controlled. It operated successfully, and over the next 10 years, another 15 companies grew up. The railways began to be built with the help of private capital. Thus, by 1906, two-thirds of the railway lines had already been built. True, the companies were given guarantees of a minimum profit of 4-8 per cent and subsidies to the tune of 12.5 million yen. The length of railway track continued to grow and, by 1910, reached 5,130 miles. Moreover, the state-owned principle eventually triumphed. In 1906, Japan's railways were nationalised, mostly for military reasons.

Industrial enterprises changed hands from the state to private owners, but the railways, in contrast, were built by private companies and then became the support base of state capitalism.

State capitalism held on for a long time in the sphere of ship-building and shipping. The building of big vessels began in Japan in 1853, when the traditional restrictions were lifted. The Japanese were assisted in this first of all by Russian ship-builders (the Putyatin expedition). During the time of the Shogunate several ships were built but, in 1870, the tonnage of Japan's sea fleet was no more than 1,500 tonnes, so later on the government of the Meiji period modernised the shipyards and expanded the construction of steam ships. In 1874, the government bought several ocean-going vessels from other countries and foreign captains were invited to sail them. Privately-owned ship-building companies were granted subsidies. The Mitsubishi company received particularly generous sums, and it became the basis of Japanese ship-building and shipping. Many ships were given to the company. In 1877, it bought 10 ships, 70 per cent of the cost being covered by the government. Mitsubishi was paid an annual subsidy of 250,000 yen from 1875 for fifteen years. In 1885, when the Nippon Yusen Kaisha was set up, it was guaranteed an annual subsidy of 880,000 yen and a minimum profit of 8 per cent. This was really the same firm, Mitsubishi, operating behind a new signboard.

In 1896, a special law was passed on incentives to ship-building. It provided for bonuses to be paid for the building of iron ships with a displacement of over 700 tonnes. This measure was necessitated by the fact that the Japanese shipyards built mostly small vessels. Over the next five years, 81 steam ships with a total displacement of 200,000 tonnes were bought abroad and 253 vessels were built, their aggre-

gate displacement being 69,952 tonnes. Japan was actively preparing for war with Russia.

In 1909, there were already 239 privately-owned shipyards in operation and 55 docks. Three years later, the building began of two dreadnoughts with a displacement of 27,500 tonnes each. The total tonnage of the sea fleet was rising rapidly and, in 1913, it reached 1.5 million tonnes, but it was still well behind the British and even the German (4.7 million tonnes) and American (4.3 million tonnes) fleets. The displacement of the sailing fleet was calculated at 828,000 tonnes. Extensive subsidies to the ship-building companies continued. From 1902 to 1926, 207 million yen were handed out in this way. This sum constituted 30 per cent of all the profits received by the companies over these years.

The question inevitably arises as to the source of the funds that financed Japan's state capitalism. The answer to this makes it easier to determine the social nature of this capitalism and its economic functions. Where did it come from, this big capital at the disposal of the Japanese government for setting up state-owned factories, building railways, purchasing ships from other countries and handing out generous subsidies to private companies?

Partly, foreign capital was used. The construction of the railways was begun in this way. In 1872, the Japanese government received a loan in London even for buying up the feudal privileges of the princes (10.7 million yen). Later it often resorted to foreign loans. The nationalisation of the railways in 1906 was also carried out with the help of foreign capital. Thus, before the First World War, Japan's foreign indebtedness had grown considerably. In 1914, of the total national debt of 1,832 million yen, foreign credit accounted for 1,524 million.

On the whole, however, it was the taxpayers, especially the peasants, who financed Japanese state capitalism after the Meiji revolution. The financial problems of this revolution were very serious and, in 1868, the budget deficit stood at 21.3 million yen (with an income of 3.7 million and outlays of 25 million). Loans from the Mitsui and other money-lenders provided only 5.4 million yen. The next year, government revenues rose to 10.5 million yen, but outlays reached 20.8 million. Inflation set in and, over two years, the government issued an enormous mass of paper money into circulation (48 million yen). It subsequently depreciated, thereby robbing the broad population. Even the

monetary reform of 1871 did not eliminate inflation, since, in 1872, outlays rose to 58 million yen, while revenues stopped at 33 million. Intensified paper money issues began again and the money supply rose to 73 million yen. The government raised taxes. From 1873, the land tax was levied strictly and provided about 80 per cent of state revenues. Taxes were unified, and their numbers reduced from 1,600 to 74. Land tax rates were raised. In 1889, the tax on urban land was raised to 5 per cent of its value (instead of 2.5 per cent) and that on rural land to 3.3 per cent. In 1905, this tax was even raised to 11.5 per cent. In 1893-1894, the land tax provided 38.8 million yen; in 1903-1904—46.9 million, in 1906-1907—85.6 million. The government's total income was rapidly rising and the respective figures for these years were 85.8, 224.4 and 392.5 million yen. The share of the land tax was falling, but in absolute terms it was rising sharply.

The government thus used the tax system to pump money out of the taxpayers, first into the treasury and then into the safes of the capitalist companies. This forced an acceleration of the primitive accumulation of capital, which was the chief function of Japanese state capitalism. It intensified the mobilisation of the country's economic resources and their capitalisation. The expropriation of the masses in favour of the bourgeoisie was put on a state basis. Japanese absolutism was particularly enthusiastic in making the bourgeoisie rich as fast as possible since this class was largely formed of feudal elements. Once they realised how much money they could make, the samurai increasingly acquired the skills of manufacturers.

A major role was played in the financing of state capitalism by internal loans. The government resorted repeatedly to these, so the national debt rapidly increased. In 1877, it was already 240 million yen; then, in 1894, it dropped to 207 million, to rise again, in December 1903, to 435 million yen. The war with Russia cost Japan 1,500 million yen and the national debt leapt up to 2,244 million in December 1907. Ultimately it was the taxpayer who had to pay it off.

5. *The development of the industrial revolution.* An event of exceptional importance in Japan's economic history in the period of imperialism was the industrial revolution, which began in the 1850s and 1860s, when factory-type production units emerged in a number of industries (ship-building, iron and steel, and textile). Like in other countries,



the ground was prepared for it by the decay of feudalism, the primitive accumulation of capital and the development of manufactory industry. Not only in Russia and China, but also in Japan, the industrial revolution began when the feudal regime still held sway. Bourgeois reforms following from the Meiji revolution created the preconditions for an acceleration of such an industrial revolution. The feudal regulation of industry came to an end. The peasantry began to migrate in large numbers and their mass expropriation created an inexhaustible supply of labour power, which was exceptionally cheap. This facilitated the creation of factories, becoming the Japanese entrepreneurs' trump card in the struggle for world markets. Economic resources were being broadly mobilised on behalf of the bourgeoisie, which began to invest in industry. The active establishment of state capitalism played a very important role in this. It was equal in importance to protectionism, about which Marx wrote: "The system of protection was an artificial means of manufacturing manufacturers, of expropriating independent labourers, of capitalising the national means of production and subsistence, of forcibly abbreviating the transition from the mediaeval to the modern mode of production."<sup>1</sup> The trusteeship concerns of Japanese absolutism went beyond the bounds of protectionist measures but did not change fundamentally. As in China and Russia, state construction of factories served in Japan as a sort of catalyst to an industrial revolution. The very elimination of feudalism was used there to form big capitals and enrich the bourgeoisie at the expense of feudal elements. The princes and samurai received 210 million yen in exchange for their privileges. This money was largely used for capitalist purposes. After 1868, the pressure of foreign competition increased and the restructuring of manufactory industry in Japan became even more urgent. The use of industrial technology from other countries was made easier and even encouraged. By becoming the "Britain of the Far East", Japan could take shortcuts and immediately set up modern-type factories and plants.

As in other countries, the industrial revolution affected the textile industry first of all and told most in the development of cotton production. Cotton had long since been produced in Japan, but the industry now underwent a true

<sup>1</sup> Karl Marx, *Capital*, Vol. I, p. 708,

revolution. The cheapness of cotton fabrics meant they were in the greatest demand and the pressure of foreign competition meant that only mass production on a factory basis was profitable. Japan copied the Lancashire mills. For the development of the cotton industry, the country had the necessary raw material base, since the output of Japanese cotton-growing was considerable. At the end of the 19th century, Japan began to import cheaper Indian cotton on a mass scale. In 1896, even customs duties on these imports were lifted. The interests of the peasantry were sacrificed to the manufacturers' profits. The widespread use of female and child labour and the extremely cheap labour power in general strengthened the positions of the cotton manufacturers. The markets of Korea and China were within reach and absorbed a large quantity of Japanese calico.

The first cotton mills were set up by princes and the government, but they remained comparatively small in scale, using imported yarn in rapidly growing quantities. In 1868, imports were no more than 12,000 bales but, in 1887, they had reached 158,000. A major event took place in 1880, when Shibukawa (a member of the Japanese nobility) set up a cotton mill with 10,000 spindles in Osaka. The mill proved profitable and in subsequent years was followed by very many similar ones. The development of the cotton industry took on a particular spurt in the 1890s and companies sprang up one after another. In 1893, there were 40 of them, but 97 by 1897. Later the concentration process led to the closing down of a substantial number of companies and, in 1913, only 44 were left. Cotton imports were rising rapidly. From 1875 to 1879 they stood at only 20,000 piculs a year, but from 1885 to 1889 there were already 100,000, from 1895 to 1899—2,230,000, in 1905-1909—3,610,000, and in 1910-1914—5,600,000. The equipment of cotton mills was also growing fast: in 1877 they had only 8,000 spindles, in 1887—77,000, in 1897—971,000, in 1907—1,540,000, and in 1913—2,415,000. The yarn output expanded greatly: from 88 million pounds in 1893 to 317 million in 1903 and 607 million in 1913.

Weaving production, it is true, was organised on a factory basis to a lesser degree. After 1890, many specialised weaving shops appeared, but they remained small in scale and, in 1900, had only 32,000 mechanised looms (but 700,000 manual ones). Spinning mills began to set up their own weaving shops and, in 1892, these already had 600 mechanised

looms. By 1913, the number of these had reached 24,000 and the fabric output—417 million yards. Yet home weaving remained: in 1913, about half a million families were still engaged in this. That same year there existed 2,087 special weaving enterprises, but only half of these had machines with a power-driven motor. Only 85,000 weavers worked in enterprises with five or more workers, yet the quantity of yarn processed by specialised weaving enterprises was growing fast. From 1903 to 1913, it went up from 175 million to 309 million pounds. The total amount of cotton yarn worked (including in the cottage industry) increased even more (from 196 million to 420 million pounds).

The industrial revolution affected Japan's silk industry to a lesser degree. There were difficulties in mechanising it and handicraft production was more tenacious. Raw silk was a very valuable commodity even without factory processing. Its export was rising rapidly. True, after the Meiji revolution silk-reeling works began to be set up. Large firms appeared (like the Katakura company) from very small beginnings. Even so, Japanese silk-reeling works remained small-scale enterprises numbering 3,203 in 1893 (with over ten workers each), of which only 2,602 used machinery. However, machines were widely applied in the production of silk yarn, ousting manual unwinding. In 1913, silk-spinning works accounted for 72 per cent of the total silk output.

In Japan under the Tokugawa dynasty there had been no broadcloth industry. This was an offspring of the industrial revolution. Its establishment was speeded up by state interests, since the Japanese army needed the cloth for uniforms. As already noted, in 1876, the government set up a broadcloth factory. Later similar factories were built by private companies: militarisation of the country gave rise to large government orders. During military adventures, the broadcloth producers literally raked in the gold. From 1899 onwards, the import of broadcloth and other fabrics was subjected to a high customs duty (25 per cent of value), and protectionism came to the defence of the Japanese manufacturers.

Initially, Japan's broadcloth industry was, it is true, confined to the processing of imported yarn, but after 1900 spinning began to develop, though yarn imports continued. Alongside the production of broadcloth, the factories gradually expanded their output of muslin, flannel and serge. Total output went up and, from 1899 to 1903, was estimated

at an average of 4.36 million yen, rising to 23.26 million by 1913. That year 69.5 million yards of muslin were produced, as well as 3.6 million yards of flannel, 9.6 million yards of serge, and 1.7 million yards of other fabrics. The country was thus relieved from having to import woollen fabrics and import of muslin, for example, was falling rapidly. Meanwhile, annual wool imports were rising: 6.6 million pounds from 1899 to 1903, reaching 11.6 million by 1913. Yarn imports grew even faster (from 1.1 million pounds to 9.3 million in 1913). A higher degree of production concentration (compared with the silk and even the cotton industry) became characteristic of the wool industry, which was set up from scratch in factory form.

The linen industry developed somewhat, too, but did not acquire major significance.

Overall, Japan's textile industry advanced greatly and served as the chief sphere of the industrial revolution. In 1913, 60 per cent of the workers in enterprises with five or more employees were engaged in the textile industry, which accounted for 45 per cent of the value of industrial goods. The cotton industry was of leading importance in textile production, accounting for 53 per cent of the total value of textile output; 38 per cent was provided by silk works, which enjoyed a major advantage in having a local raw material base.

Heavy industry developed less, but the industrial revolution did affect it, too. Factory-type enterprises appeared one after another, some of them on a large scale. This is shown by the expansion of the railway system, the development of ship-building and the creation of arsenals. The iron and steel industry remained a bottleneck, however. Almost until the end of the 19th century, there was no pig iron or steel production. Ferrous metals were imported. Even in 1896, just 26,000 tonnes of pig iron were produced, and this met only 40 per cent of demand. Steel output remained negligible, while 220,000 tonnes were being consumed every year. The government itself decided to speed up the development of the iron and steel industry and, in 1901, the state-owned Yawata Iron & Steel works opened. At the same time, several small-scale plants were set up by private capital. In 1913, therefore, pig iron output reached 243,000 tonnes and met 48 per cent of demand. The production of steel reached 255,000 tonnes, meeting 34 per cent of demand. In the output of iron and steel, Japan was far behind even Rus-



sia, let alone Britain, Germany, and the USA. Iron and steel works (private and state-owned) ran at a loss and survived on subsidies. The share of private enterprises was not great and in 1913, the output of pig iron stood at 34 and of steel at 15 per cent. Ferrous metals were produced mainly by the state-run concern and Japan depended greatly on imports. The output range of steel works was very narrow (billets, rails, strip iron, wire). Products requiring more skilled processing were imported. In addition, Japanese iron and steel works were short of ore; in 1913, only 153,000 tonnes of ore were mined, enough to satisfy only 27 per cent of demand. For the most part, the Japanese iron and steel industry processed ore imported from Korea and China.

Non-ferrous metallurgy which had long existed in Japan developed more successfully.

The amount of hard coal mined was growing rapidly: from 1877 to 1884 it averaged 0.8 million tonnes a year, and from 1905 to 1914—already 16.8 million. After 1890, Japan even began to export coal and, in 1913, over 3 million tonnes left the country. The coal-miners' labour productivity did, indeed, remain very low, and in 1913 only 123 tonnes per man were mined. This was way behind the figures achieved in Britain (301 tonnes), let alone the USA (550 tonnes).

Oil had been extracted in Japan since 1700. The output was now being increased and the industry modernised (from 1888 by the use of American equipment). In 1887, only about 33,000 barrels were extracted, but the 1903 figure was over 1,250,000. Then the growth rate slowed down under pressure from American competition. The Japanese companies had to come to agreements with the American monopolies, and they were left with only 35 per cent of their own home market to supply.

Engineering was developing very slowly. Most of the equipment for the railways, steam ships, factories, mines and power installations was imported. Only a few plants produced machinery and apparatus. The first Japanese locomotive was built as late as 1892, and the production of electrical apparatus and certain types of electrical machine began that same year. In 1913, 60,000 people were employed in the engineering industry.

Electrification advanced rapidly, extensive use being made of hydro-power resources. In 1914, the capacity of Japanese power stations reached 716,000 kW, over half of the electricity being generated by hydro-electric power stations,

Overall, however, the industrial revolution was not complete even by the outbreak of the First World War, as can be seen from the backwardness of heavy industry and the weakness of engineering. The industrialisation of Japan was one-sided, with an extreme predominance of the textile industry. Japanese industry depended on that of other countries. Yet the stage of the industrial revolution had, in the main, been passed.

6. *The formation of the working class.* The industrial revolution in Japan, as in other countries, gave rise to the accelerated formation of a working class, its ranks being swelled primarily, as was usually the case, by expropriated peasants. Back under the Tokugawa dynasty, the process of their expropriation by feudal lords advanced far but at that time it hardly had any capitalist outcome. After the Meiji revolution, the ruin of the peasants gained momentum and by the time of the agrarian reform mortgaged land was passing into the hands of money-lenders. Later the role of bourgeois elements increased in the ruin of the peasantry, whose lands were bought up intensively by rich peasants and the "new land-owners". The tax burden continued to play an important part in the expropriation of the peasantry and the land rent sucked the peasant holdings dry. The expansion of factory production undermined the peasants' cottage industries and the inflow of foreign-made goods had the same effect. Craftsmen were also ruined.

In the "new Japan", however, the expropriation of the peasants and craftsmen had direct capitalist consequences. Paupers of all types were drawn into the system of factory production and the active formation of a working class began. In 1900, there were about 422,000 factory workers and in 1914, 948,000, to which must be added an even larger number of apprentices, day-workers, rickshaw men and agricultural labourers. All together, the proletarian elements of the population numbered several million. The share of the urban population was rapidly rising: in 1893, 84 per cent of the population lived in rural-type settlements, but in 1913—only 72 per cent.

Consequently, the history of Japanese capitalism also felt the impact of the general laws governing the formation of the working class, but given the survivals of feudalism, land bondage, the rent system, tax burden and a despotic, absolutist regime, this process had certain specific features. The expropriation of the peasants often engendered no more

than a rural overpopulation and strengthened land bondage. The peasant remained in the countryside and came under bonded exploitation. Agrarian capitalism was developing slowly and the "clearing of the land" for capitalist farming was limited in character. It was mainly young people who went to the towns, including females. The head of the family remained in the village, clinging to his plot of land, even if he had to rent it on fettering terms.

This also told on the structure of the working class. In 1900, there were 256,000 female factory workers and, in 1914—564,000, so they were in the majority, especially in textile mills, where mostly females worked. Exploitation of female labour was carried out more extensively in Japan than in other countries, and child labour was used on an exceptional scale. The textile mills were staffed mostly by girls who, even in 1923, made up 52 per cent of all factory workers. Wages remained very low. In 1913, they were between 1 and 2 yen a day, depending on the job. The working day was 14-16 hours and there was no factory legislation. The "City By-laws" permitted the organisation of trade unions, but the 17th paragraph of the police rules prohibited strikes on the pretext of maintaining silence in the streets. In 1892, the struggle for factory legislation began, but success came only in 1916. The nature of this legislation can be seen clearly from the fact that the working day was set at 12 hours and, for many factories working for export, an exception was made for a period of 15 years. The workers for Japanese factories were recruited by special agents, who virtually purchased peasant children for a set period. The hire terms were shackling and fixed by an advance. Moreover, until the end of the specified period, the workers could not leave the factory, which became his or her home. The unsanitary conditions were conducive to epidemics. The despotic regime of the factory system of capitalist exploitation assumed particularly revolting forms in Japan. The factory often became a harem for the satisfaction of the owner's lust. The class contradictions of Japanese capitalism steadily increased. In the 1880s, a trade union movement arose and strikes became increasingly frequent. Under the leadership of Sen Katayama, socialist ideas began to be spread. The Russian revolution of 1905 exerted a major impact on the Japanese workers.

7. *The development of monopoly capitalism.* In the period of imperialism, Japan's economic life was full of contrasts.

The Meiji revolution was followed by elimination of the feudal regime and a strengthening of the industrial revolution which, even in 1914, was not complete. In agriculture, feudal survivals, shackling forms of rent and millions of small-holdings of a very primitive nature remained. Meanwhile, from the end of the 19th century, the domination of monopolies was established in Japan, a financial oligarchy arose and the export of capital gained momentum. Japan took the course of economic expansion and military aggression.

Consequently, by the beginning of the 20th century, Japanese capitalism, too, had entered the imperialist phase; monopoly capitalism became characteristic of it.

All this may seem paradoxical at first glance: an economically backward country becoming a capitalist monopoly empire so early on. The reasons for this should partly be sought in the fact that monopoly domination was established in the advanced countries, and this exerted a major influence on Japan's development. By copying the factory system in these countries, the Japanese capitalists brought to the Mikado's lands the latest forms of competition, mobilisation of small capital, and its centralisation for creating viable enterprises. Monopolies proved an economic necessity, otherwise it would have been impossible to compete with the American corporations and British concerns. Foreign capital penetrated into Japan and, naturally, speeded up the foundation of monopolies. In economically backward Russia, for example, they were also actively implanted by foreign monopolists. Neither can the development of monopoly capitalism in Japan be understood in isolation from its triumph in other countries.

Moreover, certain specifics of the genesis of capitalism and the industrial revolution in Japan had an effect. As already noted, a very important role was played in their history by the state which, after 1868, actively established state capitalism by subsidising manufacturers, handing over whole enterprises to them, and so on. This understandably furthered the centralisation of capital and production. The state built only large-scale enterprises and financed major companies. The bourgeoisie was joined by feudal elements who were not satisfied with the role of small-scale shop-owner or manufacturer. If a prince engaged in speculative deals, he released bigger capitals into circulation than the ordinary businessman did. Making use of his political



connections, such a prince or samurai obtained credit to set up a big company or large-scale plant.

It is important to note that the joint-stock form of enterprise became particularly widespread in Japan, especially in some industries. In the cotton industry alone there were several dozen. The conversion of capital into joint-stock capital undoubtedly paved the way for the emergence of monopolies.

Account should also be taken of the fact that, in Japan, monopoly capitalism affected the sphere of circulation more than that of production, and was manifested particularly clearly in the monopolisation of credit, the formation of finance capital, the centralisation of foreign trade, shipping, insurance, and the like. The emergence of monopolies in the sphere of circulation far from always required a high level of concentration of industrial production.

It should not be forgotten that trade monopolies had existed back in the feudal period of Japanese history. In the period of imperialism they gained strength. Thus, many Japanese concerns were genetically linked with the distant past, as the history of the Mitsui, Sumitomo and other companies shows.

Japan began its colonial expansion long since, encouraged by the monopolies and adding to their strength. The plunder of Korea and Manchuria was carried out by the monopolists. The concentration of economic might assisted them in this and was encouraged by the government. A major role was played by protectionism, which speeded up the creation of monopolies not only in Germany and Russia, but also in Japan.

Yet it was, of course, the internal concentration of capital and industrial production that was of decisive significance and created the economic basis for monopoly capitalism. The rate of Japan's capitalist development increased and the law of the uneven development of capitalist countries and the increasing unevenness of their economic growth in the period of imperialism also told on its history. From 1897 to 1912, the capitals of industrial enterprises rose from 105.3 to 677.7 million yen, i.e., over six-fold. The number of joint-stock companies also went up, the capital at the disposal of each of them growing at the same time. In the electric-power industry, for instance, in 1904, there were only 70 companies, but by 1913—316. Over this period, the amount of capital per firm rose, on average, from 197.9

million to 629.7 million yen. In the cotton industry, the number of companies actually fell.

The emergence of monopolies was prepared not only by the rapid increase in capital investment, but also the change in investment spheres. Before the Russo-Japanese war, capital was invested mainly in banking and transport, but after the war—in industry. In 1913, the paid-up capital of joint-stock companies reached 1,983 million yen.

Big corporations appeared in Japan back in the early 1880s. These included an association for the production and sale of paper—Nihon Seishi Rengokai, which was set up in 1880, and a textile association Boseki Rengokai (1882). The 1901-1903 economic crisis speeded up the monopolisation of industry. In 1901 alone, flour-milling, oil and anthracite cartels were founded. Later, in 1904, an oil association was set up, followed by a corporation of artificial fertiliser plants (1907), a sugar cartel (1908) and others.

Many major concerns consisting of enterprises of different types were founded in Japan. In 1913, 38 per cent of the paid-up joint-stock capital belonged to only 0.5 per cent of the companies, each of which held over 5 million yen. In a number of industries, the degree of monopolisation was very high. By 1907, for instance, 80 per cent of the mining of copper ores was in the hands of big concerns. The dictatorship of a small number of concerns became characteristic of the Japanese economy. The old concerns Mitsui, Mitsubishi, Sumitomo, Yasuda and others which assumed a new character at the end of the 19th century, began to exert a particularly strong influence. At the same time, very big new concerns started to appear—Okura, Fujita and others. The financial oligarchy made very extensive use of the government machinery.

Banking capital was rapidly expanding. In 1897, it stood at 208.2 million yen but by 1912 had reached 570.4 million. These figures clearly demonstrate the enrichment of the banking monopolies. In the 1890s, very many banks were founded and their numbers grew from 703 in 1893 to 2,359 in 1901.

Later the number of banks dropped and, in 1913, only 2,158 were left, which indicates that bank takeovers were beginning at that time in Japan, though this process was in its initial stages. The Bank of Japan, which dealt, in particular, with the issue of banknotes, assumed tremendous importance. In 1897, about 226 million yen were issued

and in 1913—426 million, i.e., the issue rate doubled over these years.

8. *The economic expansion and military aggression of Japanese imperialism.* In the period of imperialism, Japan began its economic expansion, the preconditions for this having been established by the accelerated development of capitalism, the creation of factory industry, the emergence of monopolies and the exceptionally rapid growth in their wealth.

The Japanese bourgeoisie made use of the uneven economic development of individual countries characteristic of the age of imperialism. Lenin put Japan (together with the USA and Germany) among the countries that were developing particularly fast.<sup>2</sup> A very wide gap opened between the economic development of Japan, and Korea and China. The exploitation of the peoples of Asia was on the agenda. Japan launched on the policy of colonialism.

Partly this was commercial expansion, and the export of commodities increased. In 1868, exports were valued at only 15.5 million yen and even in 1885 they were no more than 37.1 million, but then they began to increase rapidly: in 1895, goods worth 136.1 million yen were exported. The figures for 1905 and 1913 were 321.5 and 632.5 million yen respectively. The structure of Japanese exports changed fundamentally, to become increasingly industrial in character. From 1868 to 1872, the share of finished goods was minimal—1.9 per cent, against 30.5 per cent from 1908 to 1912. The share of semi-finished goods was also rising, though not so fast (from 40.8 to 48.1 per cent), while that of foodstuffs and raw materials was falling sharply (from 25.4 to 11.1, and from 23.1 to 9.2 per cent respectively).

The commercial exploitation of the agrarian periphery of East and South Asia became a source of big capital and the Japanese monopolists made money even faster.

Similarly, Japan's imports were rising: the value of imported goods was 10.7 million yen in 1868, 24.4 million in 1885, 129.3 million in 1895, 488.5 million in 1905 and 729.4 million in 1913. Up to the end of last century, though imports were rising, they were lagging behind exports and Japan had an active balance of trade. In the first decade of this century, imports began to grow extremely fast

and overtook exports, so the balance of trade went into the red. The way out of this situation was provided by an inflow of foreign capital in the form of money sent by Japanese citizens working abroad and the revenues on Japanese capital invested in other countries. The structure of imports changed radically, too. Raw materials, of which Japanese industry was in great need, acquired decisive significance. Their share in the total value of imports was only 4.1 per cent from 1868 to 1872, but 44.3 per cent from 1908 to 1912. In contrast, imports of finished goods were rapidly declining (from 44.5 to 24.1 per cent). The share of foodstuffs and beverages was falling even faster (from 29.0 to 12.0 per cent). Imports of semi-finished products went down, but not substantially.

The mass import of industrial raw materials strengthened Japan's economic positions. They were often bought up cheaply in Korea, China, Manchuria or India and then, on the basis of non-equivalent exchange, the commercial exploitation of the colonial outskirt was extended.

Japan was, it is true, in need of foreign capital itself, and made extensive use of it. By the outbreak of the First World War, Japan's foreign debt constituted a large part of the national debt. From the end of last century, however, the intensive export of capital began, especially to Korea, Manchuria and China. The Japanese monopolies set up various undertakings in those countries and reaped enormous profits from them. The South Manchuria Railway Company became extremely important as a bearer of Japanese colonialism. It set up iron and steel works, coal mines, and railways in Manchuria, investing big capital in these. Japanese capital also rushed into China's inner provinces.

Japan's economic expansion prepared the base for its military aggression. These were closely intertwined and sometimes military occupation preceded economic penetration. Japan began its military adventures straight after the Meiji revolution, though at that time it had no developed industry, the necessary preconditions were lacking for commercial intervention, there could be no question of capital exports, and monopoly capitalism did not yet exist. This surprising fact is explained by the partly military-feudal character of Japanese (like Russian) imperialism.

There were still survivals of feudalism in Japan, so the country's agrarian contradictions were particularly acute. Since the samurai retained their political dominance, they

<sup>2</sup> See: V. I. Lenin, "Imperialism, the Highest Stage of Capitalism", *Collected Works*, Vol. 22, p. 259.



tried to resolve these contradictions at the expense of neighbouring countries and their peoples. In this respect, the policy pursued by the Japanese samurai and the German Junkers coincided. By means of military aggression, the Japanese samurai also wanted to save the semi-feudal regime in the countryside and acquire big estates on the colonial periphery. Then, at the end of the 19th century, Japan's economic expansion began; monopolies emerged and started exporting capital, so samurai imperialism acquired a new character and firmer economic base. The aggression itself assumed a very broad scale. It rested mainly on the monopolies, but the samurai retained their influence.

Japanese imperialism still had features of military-feudal imperialism. Lenin wrote that, in Japan, "the monopoly of military power, vast territories, or special facilities for robbing minority nationalities, China, etc., partly supplements, partly takes the place of, the monopoly of modern, up-to-date finance capital".<sup>3</sup>

Japan's home market remained very narrow. The bonded peasants, robbed by the land-owners and officials, were unable to purchase industrial goods, so the Japanese monopolies strove to solve their marketing problems by military methods. They were short of many types of raw material, especially iron ore and cotton.

The despotic absolutist regime favoured military aggression. A clique of sabre-rattling militarists took shape.

All this made Japanese imperialism particularly rapacious and aggressive.

By 1872, the Japanese aggressors had seized the Luchu islands (Riukiu), which had previously been under the "dual protection" of Japan and China. In 1874, a plunderous expedition was organised to the island of Taiwan (Formosa), which came under China. The attempt to occupy it was, however, unsuccessful. Later, in 1876, Korea (a Chinese dependency) had an inequitable treaty imposed on it, the result being that its markets were opened to Japanese merchants. The "peaceful infiltration" of Korea began, but this did not satisfy the greedy appetites of the Japanese aggressors. In 1894, they unleashed a war against China and, under the Shimonoseki peace treaty of April 17, 1895, gave Japan the Pescadores, Taiwan and, virtually,

<sup>3</sup> V. I. Lenin, "Imperialism and the Split in Socialism", *Collected Works*, Vol. 23, p. 116.

Korea, which was declared independent of China, meaning, in practice, that it was dependent on Japan. At that time, an attempt was made to seize the Liaotung Peninsula, including Port Arthur, but under pressure from the other imperialist powers, the Japanese militarists were forced to back down. China was, however, plundered. The indemnity agreed on in the treaty was raised from 200 to 230 million taels (350 million yen). Immediately afterwards, Japan began to prepare for war with Russia, which it considered as its most dangerous rival in the Far East. The Navy was rapidly built up and munitions were manufactured. On January 30, 1902, the Anglo-Japanese "defensive alliance", aimed against Russia, was concluded. Finally, on February 8, 1904, a war was begun, without any official declaration, by methods of pure stealth. It ended in a Japanese victory, since the decaying tsarist regime was unable to mobilise and organise Russia's military forces. Under the Treaty of Portsmouth of September 5, 1905, Japan established its protectorate over Korea, received the Kwantung Province, together with Port Arthur, and the Southern branch of the Chinese railway, as well as half the island of Sakhalin and the right to fish in Russian territorial waters in the Far East.

This war helped Japan consolidate its positions even further. In 1907, it concluded a treaty with the tsarist government on the division of Manchuria into spheres of influence. Later, in 1910, a general-governor was appointed to Korea, which was annexed completely.

9. *The specifics of Japan's economic development in the age of imperialism.* To sum up, let us try and define certain specifics of Japan's economic development in the period of imperialism.

1. In general, the rate of this development was gaining exceptionally fast. Compared with the period of the third Shogunate, under the Tokugawa, Japan had advanced far. Its industrialisation was gaining momentum. Japan joined the group of countries (the USA, Germany, Russia) in which industrial production was growing rapidly at the turn of the 20th century.

2. The economic take-off of "new Japan" began after the Meiji revolution, which developed out of feudal strife and did not eliminate the political domination of the samurai. The menacing behaviour of the peasant masses did, however, force the implementation of a whole number of anti-feudal

reforms, similar to the 1861 reform in Russia. In Japan, as in Russia, even these modest reforms had major economic consequences, owing to the extreme divergence between the feudal-type relations of production and the productive forces. Under such conditions, even the limited breakdown of feudal relations was of great progressive significance.

3. The bourgeois reforms engendered by the Meiji revolution pushed Japan on to the "Prussian road" of capitalist development in the countryside, but this proved unsuitable. Agrarian capitalism could not develop in Japan even on the basis of landed estates. The Japanese village followed mainly the Chinese course, and rent bondage became characteristic. This slowed down the development of capitalism, and profits capitulated before rents, which were higher. The reason for all this was found in the specifics of Japanese feudalism, which was characterised by an exceptional degree of land dependence and quit rent exploitation of the peasants. As a rule, the land-owner did not cultivate any land himself and, after the Meiji revolution, did not want to start farming either. The land bondage system survived into the "new Japan" and became rent bondage. The farming course of capitalist development proved alien to Japan.

4. In Japan, like Russia, belated reforms (following the Meiji revolution) speeded up the industrial revolution, but in Japan it developed still later and, even in 1914, was not yet complete. The continuation of the industrial revolution into the period of imperialism was a major specific of Japanese economic history.

5. The manufactory system of industrial production was implanted by absolutism in France, Prussia and Russia, too. Later, state construction of railways became widespread (as in Germany and Russia). The arms industry was usually state-owned. Everywhere the state was used to make the bourgeoisie rich.

In his article "On Co-operation", Lenin pointed out that "a social system emerges only if it has the financial backing of a definite class. There is no need to mention the hundreds of millions of rubles that the birth of 'free' capitalism cost".<sup>4</sup>

State construction of plants and factories became particularly characteristic of Japan, where, after the Meiji revolution

olution, the implantation of state capitalism was considered to be extreme state wisdom. Yet it proved to be only a transition period and its economic function came down to speeding up primitive accumulation at the expense of the taxpayers.

6. The formation of the Japanese working class was strongly affected by the agrarian overpopulation and land bondage, so peasant migration became a mass phenomenon and the exploitation of female and child labour acquired monstrous forms. Although Japan freed itself from external colonialism, the colonial order became entrenched in the factories (as it did in China and India).

7. From the end of the 19th century, the economic development of Japan (as of other countries) entered the phase of monopoly capitalism. The domination of big concerns holding the controlling block of shares in many companies became typical of Japan. The Japanese monopolies relied less, however, than even the Russian ones on the concentration of production. This was because large-scale industry was not yet developed enough (with textile enterprises predominating), the distribution system was still in operation, and so on. The emergence of monopolies was, though, accelerated by the high rate of economic development.

At the same time, Japan inherited monopolies that had existed since feudal times. Monopolies of the new type were sometimes oriented more on the sphere of circulation, the use of state subsidies, protectionism and colonial plunder.

8. In the early period of the genesis of capitalism, Japan did not use outside sources of primitive accumulation of capital, but in the period of imperialism, the "Land of the Rising Sun" initiated its economic expansion and commercial exploitation of neighbouring peoples. Japanese capital was rushing into Korea, Manchuria and China, thereby expanding the capitalist exploitation of the colonial periphery. Like Germany, imperialist Japan tried to make up lost ground.

9. The economic expansion was followed by military aggression or vice versa and the "new Japan" became the scourge of the Asian peoples. Japanese imperialism was exceptionally rapacious, perfidious and aggressive. This was because of the political domination of the samurai, who attempted (as did the German Junkers) to export Japan's agrarian contradictions and resolve them at the expense of other nations.

<sup>4</sup> V. I. Lenin, "On Co-operation", *Collected Works*, Vol. 33, 1976, p. 469.



10. There were military-feudal features to Japanese imperialism (as to Russian and German).

The latest monopolies were goaded on in their aggression by the samurai. Japanese imperialism was even more under the control of the samurai than German imperialism was under that of the Junkers. Japan's strategic positions in the struggle for the colonial outskirts were very favourable, owing to the high rate of economic growth and the monopolies' extensive use of the absolutist state machinery. The imperialists' acquisitive motives were said to be in the "interests of the state". Aggressive imperialism was disguised by the tasks of colonisation and the struggle for *Lebensraum*. The traditional feudal robbery also exerted an impact, with the samurai taking it into the international arena. A major role was played by the narrowness of the home market.

## Chapter 8

### THE ECONOMIC DEVELOPMENT OF CHINA. AGGRESSIVE COLONIALISM

1. *China's agriculture and agrarian system.* After the defeat of the Taiping Rebellion (1864), China entered a new phase in its history, but in the period of imperialism it was still mainly a feudal country. Capitalism was confined within a single economic structure and could not prevail. It was agriculture that dominated China's economy, characterised, moreover, by feudal forms of exploitation. The agrarian system of the Heavenly Empire remained feudal and this determined the general state of the economy. Peasants made up 80 per cent of the population, yet still could not break out from the feudal system. If land-owners, officials and their households are added, the inevitable conclusion is that the overwhelming majority of the Chinese population was linked with feudal forms of production even during the period of imperialism.

The fact that there was still a feudal monopoly of the land and, partly, of water in China was of decisive significance. The empire's despotic regime defended this monopoly against peasant uprisings. The Taiping Rebellion was defeated. Foreign capital became an additional support for the feudal regime. Anglo-French troops took an active part in putting down the Taiping Rebellion. International imperialism constituted a political guarantee of Chinese feudalism. In the early 20th century, the imperialists suppressed the Boxer Rebellion and waged a struggle against the anti-feudal revolution.

Under these conditions, the feudal regime remained in China, in spite of its reactionary nature and economic bankruptcy. Moreover, large-scale land-ownership of a feudal type was actually expanding. State and temple, banner and clan lands, and even those belonging to local educational groups were being plundered. In the Yangzi (Yellow River) valley, officials and land-owners are known to have appropriated temple lands. Officials and officers seized large plots

in the unsettled, colonised parts of the provinces of Liaoning, Jilin, Heilungjiang, Rehe, Chahar, and Suiyuan. Thus, from 1905 to 1929, 95 per cent of the land in the province of Heilungjiang became private property. Consequently, the land-owners' monopoly of the land spread even into the regions of colonisation, where the peasants came under feudal exploitation, too.

The Chinese peasants suffered, therefore, from land starvation even in the period of imperialism. Most of them were tenant farmers, whose share was increasing. There were, however, still some peasants who owned their own land, but they were becoming fewer and fewer. The dispossession of the peasants' land continued and led to a strengthening of the positions of large-scale land-ownership. It has been calculated that, from 1905 to 1914, the share of land-owning peasants among the peasant population of the Wunshang district dropped from 26.0 to 11.7 per cent, and in the Nantong district from 20.2 to 15.8 per cent.

The share of tenant farmers was, meanwhile, growing: in the former district from 57.4 to 71.7 per cent and, in the latter, from 56.9 to 61.5 per cent. Having lost their land, the peasants had to become tenants and pay enormous rents. Many had such tiny plots that they were unable to grow the required amount of food, so these, too, had to rent land from a big land-owner. So-called semi-tenants made up a very substantial part of the peasantry.

Data on 22 provinces in China show that, in 1912, the share of peasant land-owners was 49 per cent, of semi-tenants—23 per cent, and of tenants—28 per cent. Consequently, the main mass of the peasants came under the system of feudal exploitation. Their land dependence on the land-owners became a sort of bondage, so strong that feudal exploitation had little need of personal serfdom. This dependence also provided the economic basis for the feudal regime. The Chinese peasant himself sought a plot of land and agreed to pay a very high rent. In China, however, as Lenin wrote in 1912, "feudalism was based on the predominance of agriculture and natural economy. The source of the feudal exploitation of the Chinese peasant was his *attachment* to the land in some form".<sup>1</sup> Land bondage tied the peasant to the

land; there was nothing he could do, and he had to work for the land-owner. The forms of serfdom in China were unique.

Chinese feudalism was backed up by the land dependence of the peasantry, so it proved very tenacious. Yet its history gives no grounds to conclude that feudalism is possible without serfdom. Selective data for 1911 demonstrated that tenant and semi-tenant farmers made up 61 per cent of the peasants in Guangxi, 70 per cent in Sichuan, 71 per cent in Jiangxi, 71 per cent in Hongan and 78 per cent in Guangdong. Under these conditions, the land-owners did not need the rights of the French seignior of the 12th-13th centuries or the Russian land-owner of the 16th century in order to force the peasants to work his land. He was assisted in this by land bondage and the agrarian overpopulation.

Yet non-economic compulsion did exist, even so. The land-owners even had their own guards, who acted as police and forced the tenants to pay their rent on time. The tenant farmers were compelled to give the land-owner gifts, to do all sorts of work in his home, serve during weddings and funerals, and show deference to him. If the land-owner travelled somewhere, the tenant farmers had to carry his sedan chair; they were beaten regularly. All this reflected the extreme degree of land bondage and was a direct result of it.

Chinese feudalism was specific, of course, as is shown by the very forms of land-ownership. Private ownership of the land was firmly entrenched and lacked the conditional, limited nature of feudal land-ownership in Europe. The allotment system acquired the form of rent, though a system of dependent holdings in fact remained. Given the extreme land starvation of the peasants and the constant fragmentation of plots, no system of stable land plots could survive, but the word "rent" is deceptive. In fact, in China rent concealed land bondage of a feudal type, which often developed into conventional slavery. Women in particular suffered from this, and their purchase and sale was a daily occurrence. The survivals of slavery remaining everywhere often played a binding role: the land-owners' household was supplemented by slaves, who replaced serf servants.

In China, in the period of imperialism, ancient forms of feudal exploitation were still practised, the chief being rent in kind. The peasants usually gave the land-owners half the harvest, and in some districts as much as 70-80 per cent. Money rent constituted only about 10 per cent of total rent, and sometimes rose to 20-25 per cent, predominantly in

<sup>1</sup> V. I. Lenin, "Democracy and Narodism in China", *Collected Works*, Vol. 18, p. 166.



districts with developed commodity production and firm links with the towns. The character of feudal rent was directly dependent on the extent to which subsistence farming had been ousted by commercial.

There could be no question of so-called "commercial rent" in China. Feudal rent was so high that it swallowed up even the necessary product. It did not depend on the quality of the soil or the gross harvest. It is characteristic that, on unirrigated land, the rent was often higher than in regions of irrigated farming, though the harvest was incomparably higher in the latter. This was all connected with the fact that the "rent" rested on land bondage and was not, in its economic essence, rent at all, merely concealing relations of feudal exploitation.

Yet, in the period of imperialism, the feudal regime began to decay rapidly even in China, and the economic inviability of the feudal system became obvious. No progressive development of the agricultural productive forces was possible. They were doomed to stagnation, and the food problem became worse and worse. From 1873 to 1893, the sown area in 22 provinces increased by only 1 per cent and, over the next twenty years (up to 1913), remained unchanged. In many provinces it actually diminished. There was a slight increase in the 1870s and 1880s, as a result of the ploughing of new lands, but it was extremely small.

Overall, a stable sown area was characteristic of China during the period of imperialism. From 1913 to 1933, there was no change either. Yet the population continued to increase, and feudal China was simply unable to feed them all. It has been calculated that, from 1873 to 1933, China's population rose by 30 per cent. Bad harvests and famines occurred periodically. Natural calamities aggravated China's contradictions even further. Thus, during the famine in Shandong (1877-1878) 13 million people died.

Periodic floods speeded up the ruin and proletarianisation of the Chinese peasantry. The Yellow River (Huanghe) remained "China's sorrow", with its spring floods, often changing its course, drowning whole provinces and causing terrible floods. In 1887 to 1889, for instance, over 2 million people died either from floods or the related famine.

In the second half of the 19th century, the Chinese Emperors cut outlays on irrigation systems more and more. By 1850, these expenditures had constituted 12 per cent of the budget (3.8 million taels out of 31.5 million), but by

1900, only 3 per cent (1.5 out of 52.5 million) and, in 1905, only 1.38 per cent (1.3 out of 102.4 million taels); moreover, 42 per cent of all budget expenditures in 1905 went to pay interests and reparations. True, 1887 information indicates that private dams were being built in the Anhoi province and elsewhere (by organisations of land-owners). The government, however, clung tenaciously to its monopoly control over the irrigation systems. Labour conscription was introduced for the population and soldiers were used; they constituted 60 per cent of those who worked on the Yellow River and emperor's canal.

Chinese traditional agriculture was extremely labour-intensive, and still relied on primitive tools. According to Charles King, who travelled widely round China, the most common pump there was a rocker worked by foot, harvesting was carried out by ancient scythes, threshing by drawing the ears of rice between the teeth of a metal rake, and the polishing of the rice by rubbing the grains together. Even grain crops were sown in rows and were earthed up like vegetables. Compost for fertilising the fields was prepared very carefully (using manure, ash, rubbish and fresh soil).

Crop farming was not just stagnating, it was actually declining. Though an agricultural country, China had to import large quantities of rice and wheat. The starving peasants swelled the crowds of paupers and robber bands, moved to the towns or emigrated. The agrarian overpopulation assumed monstrous forms.

By the beginning of the 20th century, 6,793,531 Chinese were living abroad, 2,755,709 in Siam, 1,023,500 in Melanesia (including Singapore), and 1,825,700 in Java. These figures do, it is true, include the descendants of Chinese who had emigrated long before.

In some countries, Chinese colonisation was held down by means of high immigration taxes. In Canada, the tax reached £100 (in 1903). In Australia, in addition to the tax, a knowledge of a European language was required. In the USA, too, there were harsh restrictions on Chinese immigration.

The very dynamics of the population in the period of imperialism differed, reflecting the stagnation of agriculture, the colonial enslavement of the country, an expansion of emigration, the losses of the famine years, the consequences of military destruction, the export of coolies, and so on.

Earlier, in 1851, the Chinese population was already 431.8 million, but later it fell and, in 1894, was 421.8 million, and in 1902—410 million, though it must be admitted that Chinese population statistics are nowhere near exact.

*The disintegration of feudalism.* Socio-economic changes did take place in China's agriculture in the period of imperialism, of course. The disintegration of feudalism gained momentum and manifested itself in a variety of forms.

The dispossession of the peasants' land went so far that the feudal regime lost its support in the peasant holding. The area worked at peasant farms was regularly falling. Data on 55 populated centres in a small group of regions show that, in 1890, each holding there averaged 20.25 mu (1,215 hectare) of cultivated land, but in 1910—only 15.9 mu (0.954 hectare). On irrigated land the respective figures were 12.15 and 11.55 mu (0.729 and 0.693 hectare). If the peasant holding was disappearing, however, the feudal system of exploitation began to decay. The mass expropriation of the Chinese peasants stimulated the disintegration even of Chinese feudalism.

Merchant and usury capital was penetrating further and further into China's agriculture. Merchants and money-lenders bought up land, including that belonging to peasants, and the nobility themselves often lost their estates. Living in the towns, they put capital that had been accumulated from feudal rent into circulation. The Chinese land-owners engaged actively in trade and money-lending, usually through agents. Usury was rife and the robbery of debtors intensified. From 1909 to 1916, for instance, interest rates in certain districts (Fuyu, Ninan, Yilan) of the North-Eastern provinces rose by 100 to 170 per cent. Feudal exploitation in China had long since interwoven with usurer's and merchant's exploitation, but in the period of imperialism this acquired new significance and China saw the development of capitalism and an industrial revolution. The bourgeoisification of part of the nobility became inevitable; the sources of feudal wealth, falling into the hands of merchants and money-lenders, were used for capitalist purposes.

Among the peasants, the process of economic differentiation gained strength. Capitalist elements separated out and became more and more active. Mass pauperisation of the peasantry gave rise to bands of hired agricultural labourers who worked for wages, including for rich peasants. It should, however, be stressed that the formation of a peasant bourgeois-

sie was greatly hampered by the overall domination of the feudal regime, land bondage, a very high level of feudal rent, and the impoverishment of the peasantry.

In the process of the disintegration of feudal relations the very forms of land rent underwent a change. Eternal and life-long rent was replaced by short-term, which put the peasant in an even more difficult position.

The tenant had virtually no land rights and he could be deprived of his land at a moment's notice. The short-term nature of the rent was used, however, not only to dispossess the peasant of his land, but also to raise the rent, which went up steadily. In 1934, it covered the value of the land in 7 to 9 years, and in some provinces even in 5 or 6, while it took 20 to 30 years in Germany and Britain.

Commercial farming, closely connected with the market, including the world market, was developing in China. The production of tea, silk, cotton, soya and egg powder was expanding. Poppy fields were beginning to occupy considerable areas, and the production of opium became established. Marked changes took place in the structure of the sown area. From 1904 to 1909, the shares of individual crops were as follows: rice—40 per cent, wheat—26, kaoliang—26, barley—24, millet—22, rape—15, poppy—14, maize—11, cotton—11, indigo—10, peanuts—9, soya beans—8, sugar cane—7, and sesame—4 per cent. These figures demonstrate that commercial crops already accounted for a substantial share of output. The exceptional increase in the area under poppy is particularly surprising. These data cover 102 regions in 100 districts of different provinces (15 in all). The sum of the "shares" is above 100 per cent since, in many areas, 2 or 3 crops were sown a year.

In connection with the development of commercial farming and the expansion of the exports of agricultural produce, however, China became an agrarian appendage of the imperialist powers. The prices of this output remained very low and the commercial exploitation of the Chinese countryside increased. Dealers, the compradore bourgeoisie and foreign exporters all made their fortunes, while the Chinese peasant could not even make ends meet. A big gap widened between the prices paid to the peasant for his produce and the cost of the goods he had to purchase. It has been established that in the Nancheng district (in the province of Jiangxi), from 1907 to 1914 rice prices remained stable, while those of salt doubled and of tea (in bricks) even trebled. The only



exceptions were a rise in cotton prices and a drop in those of paraffin.

It should be stressed, however, that the decay of feudalism and even the development of commercial farming did not lead to capitalism in agriculture. No capitalist farming appeared in China, and the exploitation of agricultural labourers on the farms of rich peasants was fettering in character and had feudal features. As a rule, the labourers worked on a daily basis, and no stable forms of capitalist production on a large scale developed. Commercial farming itself merely strengthened China's colonial dependence, for the necessary conditions were lacking for the development of agrarian capitalism.

2. *The development of trade.* The further development of trade acquired major significance for China's economic history in the period of imperialism and greatly expanded in scale. The economic basis for it was created primarily by the development of commercial farming and the increase in the proportion of the harvest produced for the market. In this way, huge masses of agricultural produce were drawn into commodity turnover. Moreover, large-scale factory-type industrial production began to emerge. This surpassed handicraft production in economic terms and put a large quantity of industrial goods on the Chinese market. The exchange between town and village became more intensive. Even the land-owners used the market to sell their rice, wheat, millet and other produce received in the form of rent in kind. This output was not required by the big land-owner himself. The officials living in the towns often needed money to purchase luxuries and expand their commercial and money-lending activities, and the only way to get money was through the sphere of circulation. In the period of imperialism, even the Chinese feudals could not get by without the market. What is more, the uncountable wealth of that huge country became concentrated in their hands.

At the same time, the development of Chinese trade was stimulated by the economic expansion of the imperialist powers, which supplied the Chinese market with increasing quantities of industrial goods, making superprofits on their sale and expanding the commercial exploitation of the Heavenly Empire. These powers used China as an agrarian-raw material base and pumped growing amounts of agricultural products out of it, buying them up cheaply and then reselling them in Britain, the USA, Germany, etc. at

substantially higher prices. Two-fold exploitation began on the basis of non-equivalent exchange, which was one of the characteristics of colonialism. As China was drawn into world trade, it became more economically dependent and its commercial exploitation expanded, this applying to the peasants in particular. Yet the development of domestic and foreign trade was stimulated, the disintegration of subsistence farming gained impetus and the centuries-old foundations of Chinese feudalism were thus undermined. Over two millennia, the feudal lords of China had made very extensive use of the subsistence economic resources of the feudal system. A clear idea of this is provided by the vitality of taxes and rents in kind.

There can be no doubt that, in the period of imperialism, China's domestic trade advanced greatly. It was closely linked with foreign trade, growth of which was naturally reflected in an expansion of internal commercial operations. Imports eventually found their way into the shops of retail traders. Dealers searched through the country for agricultural raw materials which they bought up for the exporters. The sale of handicrafts dropped, but that of factory output, especially imported, rose rapidly.

The volume of domestic trade was not taken into account or reflected in the statistics, however, so the literature usually discusses the development of China's foreign trade in the period of imperialism. Very many interesting indicators are available for describing this. It is considered that, from the 1870s, the statistics on China's foreign trade are reasonably reliable, though there are some gaps and a few inaccurate figures.

These statistics show that the overall growth of China's foreign trade was increasing rapidly in the given period. By 1881, there were 422 commercial enterprises at China's open ports, and these played a major role in export and import operations. Imports were, by the way, rising much faster than exports. According to the latest calculations, for 1871-1873 imports averaged \$106 million, for 1881-1883—126 million, 1891-1893—219 million, 1901-1903—472 million and 1909-1911—702 million. In fact, over these forty years they rose 6.6-fold. Meanwhile, exports in these years averaged \$110, 108, 167, 311 and 570 million respectively, a 5.1-fold rise. This gap between imports and exports was very dangerous and reflected the economic backwardness and semi-colonial status of the country.

The balance of trade was in the red, and increasingly so.

In 1871, 1872 and 1873, exports exceeded imports by an annual average of \$1 million. Later, the situation changed: for 1881-1883 imports were, on average, \$18 million above exports; for 1891-1893—52 million; 1901-1903—462 million, and 1909-1911—\$132 million. The unfavourable balance of trade gave rise to an outflow of gold and made China dependent on foreign capital. The situation was relieved somewhat by the substantial sums of money sent home to their relatives in China by emigrants from all parts of the world. From 1871 to 1898, China received 364 million excise taels in this way. In order to make ends meet, the country had to export 67 million excise taels' worth of gold. It was difficult to maintain the silver exchange rate, which often fluctuated. The agents of the foreign monopolies made use of these fluctuations for speculative operations. A gap appeared between the high prices in the towns and low prices paid deep in the provinces. The import of silver proved essential and, from 1871 to 1898, reached 180 million excise taels' worth.

In general, China's foreign trade passed through the ports, especially Shanghai, which is connected with the enormous basin of the Yellow River. From 1871 to 1873, Shanghai accounted for 64.1 per cent of the foreign trade turnover, and from 1909 to 1911—still 44.2 per cent. Another major port was Canton, which dealt with the output of Southern China. Canton's share in foreign trade was 12.7 and 9.7 per cent in those years, respectively. Also worthy of note were the towns of Hankou and Tianjin. From the beginning of the 20th century, the importance of the port of Dalian in the North of China began to grow rapidly.

A totally exceptional place in navigation in China belonged to the basin of the Yellow River, which was the chief artery of Chinese trade: 60 per cent of foreign trade operations were connected with navigation on it. The river's basin was the country's vital centre, since it was 600,000 sq km in area and had a population, after the First World War, of 180 million. This mighty river is navigable for a thousand kilometres.

A decisive role in China's foreign trade in the period of imperialism, too, was played by Britain. From 1871 to 1873 it accounted for 34.7 per cent of China's imports and 52.9 per cent of its exports. Considering that trade passing through Hong Kong was in the hands of British merchants,

the obvious conclusion is that Britain's share of China's foreign trade turnover was, in fact, even more substantial, for over these years, 32.5 per cent of China's imports and 14.7 per cent of its exports passed through Hong Kong. Later, Britain's role diminished and, from 1909 to 1911, British merchants accounted for only 16.5 per cent of imports and 5.1 per cent of exports. The significance of Hong Kong, it is true, remained stable and was even growing: its share in imports rose to 33.9 per cent over these years, and that in exports even to 28.2 per cent. Thus, the British merchants were being crowded out by other competitors, but the leading role in China's foreign trade still belonged to Britain, with Hong Kong as its base. Japan's importance was growing fast: its share in Chinese imports rose from 3.7 per cent in 1871 to 15.5 per cent in 1911, the respective figures for exports being 1.7 and 15.9 per cent. The economic expansion of the US monopolies also increased. Over these years, their share in China's imports rose from 0.5 to 7.1 per cent, though the USA's significance in the country's exports dropped somewhat (from 14.1 to 9 per cent). These figures were affected by the change in the balance of power between the chief imperialist powers. The British imperialists were forced to make room for the Japanese and American monopolies.

The structure of imports and exports deserves serious attention, as it reflects the state of the Chinese economy and the influence exercised on it by colonialism.

The structure of China's imports at the end of the 19th century clearly indicates the colonial character of its economy. In 1879, opium constituted 44 per cent of China's imports, cotton—27 per cent, wool and woollen goods—6 per cent, metals—5 per cent, etc. In 1899, the share of opium had dropped considerably (to 13 per cent), but that of cotton had gone up (to 39 per cent), the significance of metals had diminished (to 3 per cent), paraffin was being imported in large quantities (5 per cent), and the import of foodstuffs reached a large scale (16 per cent of all imports).

The biggest import item was fabrics, especially cottons. The import of paraffin (from the USA, Russia and Sumatra), cheap flour, and other items was rising rapidly. Consumer goods imports exceeded those of means of production, among which the main items were building materials, used partly for non-productive purposes (the construction of administrative buildings, palaces, etc.). Very little machinery was imported and more finished goods were brought in than raw



materials. In 1873, for instance, means of production accounted for only 8.1 per cent of the total value of China's imports. In 1910, their share had risen to 17.6 per cent, but the share of machinery and large tools had dropped to only 1.5 per cent (of total imports), that of raw materials to 0.1 per cent and building materials to 16 per cent.

At the end of the 19th century, the structure of Chinese exports also clearly reflected the semi-colonial status of the country. In 1899, among the country's exports raw silk made up 41 per cent, tea—16 per cent, seeds, vegetable oils and fats—6 per cent, raw leather and fur pelts—4 per cent, cotton and yarn—4 per cent, and so on. The significance of tea was falling off very fast; in 1878, it had provided 46 per cent of Chinese exports but, in 1899, only 16 per cent: Chinese tea was being ousted by Indian, Ceylon and Japanese tea. The reasons for this were that China's agriculture remained traditional and very primitive, while in India and Ceylon capitalist-type plantations were being set up, the processing of the tea leaves was being improved and the quality of the output was rising. The sale of Chinese raw silk was going up, but even this was running into difficulties, since Japanese competition was hotting up.

For 1871-1873, tea accounted for 52.2 per cent of China's exports, silk for 34.5 per cent, soya beans for 0.1 per cent, raw cotton for 0.2 per cent, and so on. Over the next forty years, significant changes occurred and, from 1909 to 1911, silk already constituted only 18.2 per cent, tea—9.8, soya beans—7.4, raw cotton—5.8, bean oilcake—5.1, tin—1.6, bristle—1.1, eggs—1.1, peanuts—0.9 per cent, etc. The share of agricultural output in exports was constantly rising: in 1873, it was no more than 2.6 per cent (in value terms) but, by 1910, it accounted for 39.1 per cent. Meanwhile, handicrafts were of constantly diminishing significance: in 1873, they made up 58.3 per cent of China's exports but, in 1910, only 29.3 per cent. There was also a drop in the export of semi-finished handicraft goods (from 37.4 to 13.1 per cent). The exports of machine-made semi-finished and finished goods were, however, rising sharply: in 1910, they accounted for 18.7 per cent of exports, but this did not change the general situation.

Overall, changes in the structure of China's exports reflected the process of the country's colonial enslavement and its transformation into an agrarian-raw material appendage of the imperialist powers.

*3. The beginning of the industrial revolution.* It is important to note that, at the end of the 19th century, an industrial revolution began in China. This was of primary significance, since the country's industrial backwardness had serious consequences. The Chinese Empire was in great need of factory-made goods, so it was doomed to economic dependence on the imperialist powers. The establishment of factory industry weakened this dependence and helped solve the country's major economic problems. Having remained an agricultural country for millennia, China finally entered a new phase of development. Large-scale production of a factory type began to be set up on its territory. The capitalist structure, represented by manufactory production, had arisen back in the late Middle Ages. Now the development of this structure entered a new phase. The system of capitalist exploitation was developing rapidly and assimilation of elements of the disintegration of the feudal regime gained impetus. The capitalist consequences of the crisis of the feudal regime were substantial. The expropriated peasants were partly transformed into wage workers and paupers found themselves a place in the economy. Merchant capital was drawn into industry, where even the capital of land-owners, accumulated from feudal rent, found application. In China, the primitive accumulation of capital proceeded in a specific way, with feudal sources (land rent, usury) playing a major role in it.

The preconditions for the beginning of the industrial revolution were created in China, too, primarily by an acceleration of the decay of feudalism, expropriation of the popular masses and the formation of big capitals, an expansion of the home market and the development of manufactory industry. Of major significance under such conditions was China's involvement in the world economy. It became possible to import machinery, raw materials that were in short supply, and auxiliary materials. The inflow of foreign capital expanded the financial base of the industrial revolution. Some goods produced by China's factory industry were even exported, replacing exports of handicrafts. The significance of the incentives introduced by the government should not be ignored either.

The Manchurian nobility feared the construction of railways and the development of industry, being concerned for their social privileges. In 1876, when the first railway was built from Shanghai to Wusong, the authorities had it

torn up again, and the rails and other materials were sent to Taiwan, where they lay idle for a long time. Even so, the establishment of factory industry became so pressing that its development was encouraged by top officials, who themselves built factories and plants out of their own capital. Li Hongzhang, an extremely rich aristocrat and top official, is known to have financed the construction of textile mills, paper factories, shipyards, and munitions factories. Zhang Zhidong, viceroy of the central provinces, built several textile mills and the Hanyan arsenal. Li Hongzhang played an important role in the Empire: he helped set up the Political School (in Tianjin), sent students to study abroad, and so on. The government encouraged state industry and tried to organise the construction of warships. In 1898, when the Kang Youwei reforms were being implemented, the provincial authorities were instructed to assist in the construction of railways, mines and industrial enterprises. The author of the reforms referred to Peter the Great and the successes scored in Japan's industrial development. Decrees signed by the Emperor Guang Xu proposed the founding of mining and agricultural colleges, the sending of students to study abroad (on grants), and the training of silk and tea production instructors. These reforms lasted only 100 days, it is true, and were cancelled on October 22 on the instructions of the Empress Cixi. In 1906-1908, however, even she had to start making reforms: a unified money circulation, abolition of slavery, etc. were declared. The reason was that, without a factory industry and railways, China could not survive as an independent state and the plunder of it also affected the economic interests of the ruling class. Huge masses of surplus product fell into the hands of foreigners, and the monopoly of the land-owners in exploiting the people was under threat.

The industrial revolution began in China in the 1870s and 1880s and, by the end of the century, national capitalism had already achieved a certain level of development. In 1873, the first modern-type coal-mine was sunk (in Kaiping); in 1886, the first silk factory was set up (in Chifu); in 1888, the first railway of major economic significance was laid (from Tawushan to Tianjin) and, in 1890, the textile mill in Shanghai and the Hanyepin iron and steel works were opened (in Wuchan). This is how the industrial revolution originally progressed. Chinese capital was rushing mostly into light industry, the construction of textile mills

giving a good idea of this. An important part was also played by the inflow of foreign capital. Under the 1895 Shimonoseki treaty, foreign capitalists were granted even the formal right to build industrial undertakings.

In the period of imperialism, the import of machinery into China began to increase rapidly: from 0.5 million taels' worth only in 1890, to 1.5 million in 1900, 50.5 million in 1912, and 78.5 million in 1921.

In all, from 1872 to 1912, 521 industrial enterprises of a factory type were built, with an aggregate capital of 159 million yuans. Before 1887, only 1-3 enterprises had been set up each year, but later on, from 1887 to 1894, the figures were 4 to 8, from 1895 to 1904—an average of 13-14, and from 1905 to 1912—39 (on average). This also told on the volume of capital investment. Hence the conclusion that the 1870s and 1880s were the period when the factory system emerged in China. It began to develop in earnest at the turn of the century.

The participation of state capital was quite considerable, and it accounted partly or totally for the creation of 66 enterprises with economic resources worth 43.7 million yuans. State capitalism was making its way. There were 36 enterprises set up jointly by Chinese and foreigners, their aggregate capital being 27.3 million yuans.

This is how the industrial base of China looked at the turn of the century.

The branch structure of Chinese industry in this period deserves attention. Out of 521 enterprises, 193 were textile mills, 100 were food plants, 72—mining and metallurgical works, while only 3 were engineering works, and 153 miscellaneous. These figures show that, in the period of imperialism, it was primarily light industry that was developing in China. Machine-building was practically non-existent. Textile mills accounted for 40.7 million yuans of aggregate capital, and food plants for 17.6 million yuans. The mining and iron and steel works did, it is true, have a capital of 41.3 million yuans, but that of the engineering works was no more than 757,342 yuans.

Consequently, in general, industrial capital was not great and was invested primarily in light industry. Its development did nothing to eliminate China's economic backwardness and its colonial bondage.

The actual equipment of Chinese factories was very modest. In 1897, the textile mills had only 2,016 looms and, in



1913, there were the same number. The number of roving spindles increased from 234,304 to 484,192 only. There were, of course, foreign enterprises, and in these the number of such spindles rose from 160,548 to 338,960 over the same period but the total was not significant. Even the textile industry was not extensively developed in China during the period of imperialism.

By 1911, about 650,000 workers were employed in large-scale industry in China, including 250,000 women, but factory-type works remained a rarity. Even in 1913, there were only 245 factories with over 30 workers.

The statistics on Chinese industrial output are extremely interesting. In 1913, 12.8 million tonnes of hard coal were mined, 959,000 tonnes of iron ore (459,711 tonnes by mechanical means), 267,513 tonnes of pig iron were produced (97,513 by mechanised means). The mining of non-ferrous metals was developing fast and, in 1913, the output was 15,790 tonnes of metallic antimony, 9,305 tonnes of tin, and 4 tonnes of mercury. The manufacture of textile goods was expanding rapidly: from 1896 to 1913, the number of cotton mills rose from 12 to 28 and they produced considerable amounts of calico for the world market.

One clear manifestation of China's industrial revolution was the construction of the railways. This began in 1876 with the laying of the Wusong line, though this was not successful. The removal of this line could not, however, hold back such an important process. In 1878, railway construction began again and the Peking-Mukden line was being laid, and in 1887—the Taiwan line. From 1895 onwards, construction took on a major new spurt. Over the next 15 years, economically important lines were built: the Chinese Eastern Railway, the Jiaozhou-Jingan, the Yunan-Vietnam, the Peking-Hankou, the Guangzhou-Hankou, the Tianjin-Pukou, the Shanghai-Nanking, and the Peking-Suiyuan. The period from 1895 to 1911 saw a real rise in railway construction in China.

From 1877 to 1894, an average of only 20.2 km of track were laid each year, but the figure for 1895-1911 was already 544.3 km. In all, over this first period, 364.2 km were built and over the second—9,253.8 km (not counting the Wusong line). The total length of China's railway had reached 9,618 km by 1911. In 1912, the country had 600 steam engines, 1,067 passenger carriers and 8,335 freight wagons.

Radical changes were also taking place in water transport,

In 1872, the Chinese Commercial Shipping Company was set up and, by 1877, it had acquired the ships of the foreign-owned firm Qichang (the Shanghai Union Steam Navigation Co.). From the 1890s, many small associations of Chinese ship-owners began to appear (in Shanghai, Canton, Hangzhou and Shantou). Although these associations often subsequently broke up, they still had a certain part to play. As foreign capital penetrated the country, the number of foreign-owned vessels increased. In 1877, there were 13,708 ships in China with a total tonnage of 10.6 million tonnes, while in 1907 there were already 91,380 of them, with an aggregate displacement of 74.1 million tonnes. Consequently, the number of ships and their carrying capacity rose 7-fold. Moreover, it is important to note that, among these, the number of steamships was rising even faster. In 1882, there were only 30, but in 1913—993. The tonnage of these ships was, it is true, growing more slowly (from 22,111 to 80,965 tonnes according to customs data, and somewhat more—to 141,023.8 tonnes according to other sources).

Such was China's industrial revolution. The scale of the changes in Chinese industry during this period should not, however, be exaggerated. Handicraft production still retained its positions, though it had lost a lot. Even in 1913, out of 12.8 million tonnes of coal, primitive non-mechanised mining accounted for 40.4 per cent (5.2 million tonnes), out of 961,861 tonnes of iron ore, such mining produced 502,150 tonnes (52.2 per cent). The share of primitive industry in the production of pig iron was 63.5 per cent (170,000 out of 267,513 tonnes).

Travelling through China in the 1880s, Baron Richthofen remarked the existence of a large number of small mines.

Of even greater significance was small-scale production in the textile industry. It has been calculated that, in 1913, 70 per cent of the processed cotton came from non-factory enterprises (3.5 million centners). Factory processed output did not exceed 1.4 million centners.

Entire economic regions were still renowned for the manufacture of individual types of craft. The Peking region, for instance, was the centre of artistic carpet-making, the production of vases, cups, enamelled, jade and lacquer goods. Items woven from straw, tussore silk and lace were made on the territory of Shandun; the town of Jiujiang (in the Jiangxi province) supplied the market with china, and silver goods; the town of Hankou produced blocks of tea; the

Hangzhou region (in the Zhejiang province)—fans and walking sticks; the Anhoi area—China ink; Ningbo—tin goods. The workshops remained, though the artisans often became wage workers (at home).

For these reasons, the industrial revolution could not be said to be over by the outbreak of the First World War. In China it was in the intensive stage of development. Much was late in coming to China: the telegraph system was set up only in 1881, though it was extended more and more later on and, in 1887, a telegraph link with Europe was established, via Siberia.

A European-type postal service was only set up officially in China at the end of the 19th century, by an imperial decree of March 20, 1896. Alongside the official postal service, there was a private organisation (Mingju) providing services for merchants and other people at cheaper rates. Even so, the industrial revolution was a very important event in China's economic history and had tremendous consequences.

In the period of imperialism, alongside the development of large-scale industry, railway transport and trade, China's economic centres were shifting, and the construction of irrigation systems ceased to be a weapon in the political struggle. The productivity of agriculture lost its decisive significance for political and military might. The ports became major centres of economic activity (Shanghai, Hankou, Canton, Tianjin), and drew vast areas around themselves. The Yangzi valley lost its decisive importance for China's economy.

A working class began to form, and this was of primary significance for China's subsequent history. The development of factory industry created the material base for the working-class movement. The decay of feudalism entered a new phase and gained considerable speed. Feudal China was becoming semi-feudal.

4. *The economic aggressiveness of foreign capital.* In spite of the growth of national industry, however, the penetration of foreign capital into China's economy was rapidly gaining strength in the period of imperialism. Moreover, there was a specific sort of interaction taking place: capitalist trends in the country's economy increased the inflow of foreign capital, which even stimulated and speeded up the industrial revolution. Yet China was still a feudal and backward country, so foreign capitalists took advantage

of the situation and their capital to bind the Chinese Empire economically and consolidate colonialism. They pursued a course of economic aggression, seizing the key positions in industry, transport, trade, and finances and slowing down the development of the productive forces.

Foreign capitalists appeared in China not to develop its productive forces, but to plunder this huge land. They adapted their colonial methods to the feudal order in China and used it to enslave the country. The economic role of foreign capital became a reactionary one. The inflow of foreign capital into the USA, for instance, speeded up the mighty development of industry, the unprecedented scale of railway construction, and so on, but in China it had the opposite effect of eventually turning the vast empire into a semi-colony.

In his article "The Lessons of the Crisis", published in August 1901, Lenin wrote that the capitalists were reaching out for Asia. Moreover, even Japan "began to develop into an industrial nation and strove to make a breach in the Chinese Wall" and grab a tasty morsel for itself. "This wild world-hunt for new and unknown markets led to a terrific crash", however.<sup>2</sup>

The economic goals pursued by the international monopolies in sending their capital to China are quite obvious. The plunder of the country's natural wealth, exploitation of the multi-million population and the implantation of colonialism were the main targets of the imperialists, whose agents falsely justify their actions in terms of their "civilising" role in the colonies.

As already noted, the economic aggression of foreign capital affected China's foreign trade first of all. It was monopolised, primarily, by British merchants. Then came the turn of shipping, the expansion of which was closely linked with the development of trade, especially foreign trade. As a result of the Second Opium War, foreigners received the "right" of navigation even on China's internal waterways. They hurried to take advantage of this and, by 1861, the Shanghai Union Steam Navigation Company had been set up, to be followed by many others. Until the end of the 19th century, the predominant role in these was played by British capitalists. After 1895, Japanese capital became in-

<sup>2</sup> V. I. Lenin, "The Lessons of the Crisis", *Collected Works*, Vol. 5, pp. 90, 91.



creasingly active. In 1868, the tonnage of foreign vessels in foreign trade and internal navigation in China was only 6.3 million tonnes; in 1887, it was 16.5 million, in 1897—25.9 million, 1907—63.4 million and 1913—74.3 million tonnes. Over 45 years it had risen 11.7-fold. Britain accounted for 52.2 per cent in 1868, for 84.4 per cent in 1897, and only for 51.9 per cent in 1913. By the outbreak of the First World War, Britain was back in its initial position and had to make room for new predators. Japan's share of the tonnage of foreign vessels in 1868 was minimal—0.1 per cent, but following the Shimonoseki peace treaty, it grew rapidly to reach 31.9 per cent in 1913. The role of the Chinese fleet was quite modest, with most of the ships visiting China's ports being foreign. In 1907, foreign vessels accounted for 84.4 per cent of the aggregate tonnage, which testifies that, in the period of imperialism, shipping in China was mainly in foreign hands. Foreign monopolisation of water transport put China in a dependent position.

The same must be said about the railways. It was foreign monopolies that took the initiative in building and financing them, in order to penetrate deep into China and expand the country's exploitation. The laying of railways became a specific form of bondage of this huge country, facilitating the sale of foreign-made goods and the pumping out of raw material resources. Not by chance did the end of last century see a real battle for concessions, and the imperialist powers imposed on China projects that were profitable for themselves. Various forms of extortion, participation in joint-stock capital and especially the granting of loans were used for this purpose. Some railways were built illegally, without the necessary permission. For example, the British built the first (Wusong) railway in 1876 and the Japanese the Andong-Fengtian in 1904 in this way. The brutal exploitation of manpower made the construction cheap. Barely subsistence wages were characteristic of semi-feudal China.

From 1898 to 1904, China received 89.7 million yuans in foreign loans for building railways, 65.8 per cent of this sum coming from British capitalists. Later, from 1905 to 1914, the sum of the loans rose by another 409.6 million yuans, but Britain's share dropped to 38.2 per cent, while that of Germany rose to 20.8, of France—to 16.2, and of Japan—to 6.6 per cent. Belgian capitalists, too, played an active part in the financing of China's railways.

The matter was not, however, confined to just their financ-

ing. Some railways actually belonged to foreigners. Military garrisons were set up at railway stations, taxes began to be levied on the local population, and so on.

In other instances, the foreigners took control of the management, as was the case with the Peking-Fengtian, Shanghai-Nanking and other lines. Sometimes, this was disguised as "technical management". As a result, only 665.6 km of China's railways, or 6.9 per cent of the total, operated under Chinese management in 1911; 3,759.7 km or 39.1 per cent were at the direct disposal of the imperialists, and 5,192.7 km or 54 per cent were controlled by them. The railway system became the imperialists' steel tentacles, helping them enslave and rob the people.

The penetration of foreign capital into Chinese industry began at the end of the First Opium War, but was very limited for a long time. Most enterprises served the export trade (ship repairs), the pumping out of raw materials from the country (silk-reeling works, the manufacture of brick tea), or aggression of an ideological nature (printing shops). The Shimonoseki peace treaty promoted the monopolisation of Chinese industry by foreign capitalists, the economic base for this being created by mass exports of capital, especially from the end of the 19th century.

Battles began not only for railway concessions, but also for China's industrial resources. Thus, British and Japanese imperialists waged a fierce struggle for China's coal. In 1878, British capitalists seized the Kailung deposit, the mines of which subsequently gave over 6 million tonnes of high quality coal. A special port was built at Qinwangdao for exporting it. At the same time, the rights to work coal deposits in a number of provinces (Anhui, Shanxi, Sichuan, Henan) to the north of Huanghe were appropriated. Later, Japan seized rich deposits in South Manchuria (Fushun and others).

In 1913, 2.8 million tonnes of coal, or 22.2 per cent of the country's total output, came from foreign-owned mines. Moreover, mines partially financed by foreigners accounted for 33.2 per cent of the total. Consequently, in all, 55.4 per cent of the coal was dependent on the international monopolies, to which 79.6 per cent of the coal industry's capital belonged (85.3 million yuans out of 107.1 million).

The positions of foreign capital in the iron and steel industry were very strong, too. By the time of the First World War, even the Hanyeping iron and steel works was in the

hands of foreigners. In 1908, the Chinese government left the company and allowed foreigners to purchase its shares. The Japanese took advantage of this in 1913 to establish their control over the works.

From 1900 to 1913, all mechanised production of pig iron remained in foreign hands, though the output was still quite insignificant in 1913 (97,513 tonnes). The same applies to the mechanised mining of iron ore (459,711 tonnes in 1913).

Factory-type textile production was also to a substantial degree taken over by foreigners. Many mills set up by Chinese then fell into foreign hands (through credit deals and takeovers). Foreign competition exerted very strong pressure. In 1913, 41.2 per cent of all the roving spindles (338,960) and 49.6 per cent of the looms (1,986) were in foreign-owned enterprises. The profit rate in yarn mills belonging to foreigners was very high.

In the coal industry, enterprises belonging to Chinese capitalists were often overall loss-makers (as the accounts of the Baojin coal mines for 1912, 1913 and 1914 show). Meanwhile, the mines belonging to foreigners brought in high profits, through the brutal exploitation of manpower.

Finally, with the help of loans, the imperialists achieved the financial fettering of China, the lack of national banks being used for this purpose. The first Chinese national bank was set up only in 1896; in 1913, there were 13. Even so, the Chinese banking system remained very weak. Yet, as early as 1865, the British capitalists had set up the Hong Kong and Shanghai Banking Corporation, which later played a major role in subordinating China. In 1875, China was granted its first loan, financed by British capital, on fettering terms (an annual 8 per cent interest rate). Others followed, though until 1895 China's foreign indebtedness remained insignificant. Its financial bondage increased sharply towards the end of the century. The oppressive terms of the Shimonoseki peace treaty, imposed on China by the Japanese imperialists, were used to this end. In order to pay the reparations, the Chinese government required substantial economic resources. The bankers in the Western countries offered to lend the money, on the condition that they took control of the country's finances.

On the guarantee of the Russian government alone, a loan of 400 million francs was received from a Russo-French group of capitalists (at a 4 per cent annual rate of interest). Then

Witte took advantage of this "service" to China and, at the end of 1895, set up the Russo-Chinese bank. In 1896 and 1898, an Anglo-German syndicate granted China two loans of £16 million (at 5 and 4.5 per cent interest), to be paid off in customs revenues. Later came railway loans. By 1896-1898 China was in debt to the tune of over £45 million. In 1909, a banking consortium was set up to provide China with a loan of £5.5 million at 5 per cent interest. This loan (called the Huguang Railways Loan) was intended for the construction of railways in the provinces of Hunan and Hubei. The negotiations dragged out because of disagreements between the imperialists, and the USA left the consortium. On April 23, 1913, however, an agreement on the loan of £25 million was signed by Yuan Shikai.

China's total debt grew rapidly from the end of last century and, by the outbreak of the First World War, its financial bondage had become a major burden.

In 1902, foreign investment in China (including loans) reached \$787.9 million, including 260.3 million (33 per cent) from Britain, 246.3 million (31.3 per cent) from Russia, 164.8 million (22.9 per cent) from Germany, 91.1 million (11.6 per cent) from France, 19.7 million (2.5 per cent) from the USA, 1.0 million (0.1 per cent) from Japan, and so on. In 1914, foreign investment was already at the level of 1,610.3 million, the share of British capital having risen to 37.7 per cent (607.5 million), of Japanese to 13.6 per cent (219.6 million), and of American to 3.1 per cent (49.3 million). Meanwhile the share of Russian capital had fallen to 16.7 per cent (269.2 million), German to 16.4 per cent (263.6 million), and French to 10.7 per cent (171.4 million).

As a result of the 1904-1905 Russo-Japanese war, Japanese imperialism's positions in China were greatly strengthened. Japanese capital literally flooded the country: from 1902 to 1914 Japanese investment in China went up 220-fold, chiefly after 1905. It went mainly into Manchuria.

Not by chance did the South Manchuria Railway become a major support base for Japanese imperialism. The railway's revenues (which had branches 964 km in total length) were growing. In 1907, they reached 3.6 million golden yen, and in 1928—already 68 million.

US investments in China increased rapidly after the turn of the century. In 1900, they stood at only \$19.7 million, but had risen to 49.3 million by 1914 and leapt up to 196.8 million by 1930. They went mainly into financing various



enterprises, but a considerable part was used to pay off government loans (21.2 per cent in 1930). In 1899, there were 70 US firms operating in China, but by 1913—131. The US monopolists were reaching out for the Chinese booty and since 1884 their investment in the country had increased 10-fold.

The distribution of foreign capital investment among individual spheres of the Chinese economy and branches of industry is of considerable interest. In 1914, out of a total of \$1,610.3 million, transport accounted for 33 per cent (531.1 million), government finances for 20.5 per cent (330.3 million), foreign trade for 8.8 per cent (142.6 million), manufacturing for 6.9 per cent (110.6 million), real estate and housing for 6.5 per cent (105.5 million), the mining industry for 3.7 per cent (59.1 million), means of communications and public amenities for 1.7 per cent (26.6 million), banks and credit for 0.4 per cent (6.3 million), and miscellaneous for 18.5 per cent (\$298.2 million).

These figures show that, up to the First World War, foreign capital was used in China primarily for expanding the transport system, which served the imperialists, and also for the payment of contributions to them, and for supporting the Chinese Empire's despotic regime and nurturing its corrupt administration, which was clearly rotten and doomed to break down. A prominent position belonged to loans for paying off contributions to Japan (to a sum of 230 million excise taels). The so-called "reorganisation loan" was granted to Yuan Shikai in 1913 for counterrevolutionary purposes. Large sums were spent on expanding foreign trade, in which the imperialists had a vital interest. Foreign capital was invested on a large scale in land, the construction of hotels, and so on, but the mining and manufacturing industries received only 10.6 per cent of all investments and loans. The creation of a powerful industry in China was not in the interests of the international monopolies. Over 40 per cent of foreign investment went into Shanghai and Manchuria, where the imperialists' positions were firmest. It is believed that, by 1914, over a billion US dollars (out of \$1,610.3 million) were invested in "rents" and settlements.

All this clearly shows how foreign capital promoted China's bondage in the period of imperialism. Foreign loans and investments were a form of economic aggression on the part of capitalist monopolies; they speeded up the transformation of a great country into a semi-colony of the imperialist powers.

5. *The expansion of colonialism.* The economic aggression of foreign capital created the preconditions for military expansion and the political bondage and division of China. In turn, political occupation accelerated the inflow of foreign capital and economic invasion. More favourable conditions were created for the exploitation of the broad population by the foreign monopolies. The economic and political aggression were interconnected and mutually complementary. These were the two sides of colonialism, with China as the victim.

In the period of imperialism, the Chinese Empire went through a difficult time. The extensive expansion of imperialism was a terrible threat to it.

It became increasingly evident that the Opium Wars of the mid-19th century were merely a preparatory stage for the transformation of China into a semi-colony. Only later did the harsh laws of colonialism reveal themselves to the full, when the imperialist predators smelt blood and set about dividing up the Middle Empire. The situation became even more tragic because the Qing dynasty, which was hated by the people, sought support for its despotic domination among the foreign imperialists. The treacherous policy of the Cixi clique, which virtually ran the country, played a fatal role in the plunder of China.

One clear manifestation of colonialism was the retention of inequitable treaties, consular jurisdiction (granting foreigners immunity under Chinese law), privileged settlements, open ports for foreign shipping in internal waters, and China's customs dependence. For 35 years after 1863, China's marine customs were headed by Robert Hart, an agent of the British colonialists, who defended the "right" of his masters to import goods into China for a payment of only 5 per cent customs duty. In practice, this meant the "right" of foreign manufacturers to strangle Chinese industry in its cradle.

The serious legacy of the Opium Wars was a burden to China during the period of imperialism. Moreover, the expansion of colonialism entered a new phase and the very survival of the Chinese Empire was threatened.

The British colonialists could not be contained and, in 1874, an expedition was sent from India (via Burma) to find the best routes to Yunnan. One of the consular officials was killed, however, and the expedition, meeting with resistance, turned back. The British government took advantage of this to send a military squadron into Chinese waters

and, on September 13, 1876, imposed on China a convention, signed in Chifu. Under this convention, the Chinese government had to pay reparations (200,000 taels), open up another four ports to British merchants, permit vessels to visit six ports on the Yangzi, sanction a British expedition to Tibet and the building of jointly-owned vessels.

China lost its vassal territories, in particular Annam. According to the 1874 Saigon treaty, Annam became a dependency of France. In 1884-1885, the Franco-Chinese war broke out, ending in a defeat for China (with the help of the time-server Li Hongzhang). Under the peace treaty concluded in Tianjin on June 9, 1885, the Chinese government recognised Annam as a French protectorate. At the same time, French merchants received free access to the Chinese province of Yunan. Next Burma was lost, though it had been politically dependent on China since the end of the 18th century. Britain declared war on Burma making it a part of its colonial empire (on January 1, 1886). At the same time, in 1872, the Japanese seized the Luchu islands (Ryukyu) (which were dependent on China and Japan jointly). By 1874, the Japanese militarists had attempted to seize the island of Taiwan. The penetration of Japanese capital into Korea began, to the accompaniment of military threats. As a result, in 1876, an inequitable treaty was imposed on Korea, making this vassal country of China accessible to Japanese capital.

Matters did not stop with the collapse of the Chinese Emperors' great power aspirations and the loss of vassal possessions inherited by China from the Middle Ages. At the end of the 19th century came the turn of China's own provinces, ones that had been the Empire's support base for millennia. The division of China was initiated by the Japanese imperialist clique, with its predatory foreign policy. In December 1885, Japan's agents in Korea organised a political coup and seized the royal palace. As a result, the Chinese government had, that same year, to sign the Li-Yituo treaty of peace and recognise Japan's right to send troops into Korea. Japanese capital streamed into the country, speeding up the plunder of Korea's wealth. A few years later, the Japanese militarists sent an army of 18,000 men to Korea and, in 1894, the war with China began. It ended in defeat for China and on April 17, 1895, the harsh Shimonoseki peace treaty was imposed on it. China had to pay enormous reparations (230 million taels), lost Taiwan and the Pescadores, and recognised Korea's independence (which virtually meant its dependence

on Japan). An attempt was made to seize the Liaodong peninsula, but other imperialist powers (Russia, France and Germany) put up objections in the guise of "friendly advice".

The Shimonoseki treaty was a major landmark in the history of the division of China and the point of departure for the growing expansion of colonialism. Afterwards, the aggression of the Western imperialist powers increased greatly and became more overt. The tsarist government of Russia concluded a military union with China on June 3, 1896, against Japan (in the event of Japanese aggression against Russia, China or Korea). The construction of the Chinese Eastern Railway soon began.

The Russian revolutionaries, on behalf of the people, condemned the tsarist government's participation in putting down the Boxer (I Ho chuan) Uprising and the exploitation of China. In 1900, Lenin wrote in his article "The War in China" that the Chinese were justified in hating the European capitalists who came to China merely to get rich, deceive, and engage in robbery and violence, on the pretext of spreading Christianity. He emphasised that the policy of the tsarist government in China was criminal and profitable only to the manufacturers and contractors, who received enormous sums of money for fulfilling urgent orders.<sup>3</sup>

At the end of the 19th century, two missionaries were killed in China (November 1897), and this was used as an excuse for the invasion of the country by German capital. Pious words disguised the German imperialists' seizure of the Jiaozhou area and the seaport of Qingdao. The occupation was veiled by an agreement to pay rent for a long period. On March 6, 1898, a treaty was imposed on China under which the Germans were guaranteed the monopoly right to build railways in Shandong and develop mineral deposits. By June 1, 1899, the government of Kaiser's Germany had passed both concessions on to a syndicate of German banks and industrial concerns. Correspondingly, the syndicate immediately set up the Shandong Railway Company, with a capital of 54 million marks. At the same time, a similar company was founded for developing the mining.

The seizure of Shandong by Germany and the creation of the Qingdao military naval base disturbed the balance of power between the states and encouraged new manifestations

<sup>3</sup> See: V. I. Lenin, "The War in China", *Collected Works*, Vol. 4, pp. 373, 375.



of aggression. In December 1897, the German Kaiser Wilhelm II sent a second military squadron to China, threatening the Chinese with his "iron fist".

At the same time, the aggression of the British imperialists grew. On May 30, 1898, they seized Weihaiwei, without waiting for Wilhelm II's sanction. Two months later, this act of aggression was set down in a treaty under which Britain could hold Weihaiwei as long as there were Russian troops at Port Arthur. The British imperialists were after the vast Yangzi basin, and, blackmailing the Chinese government with loans, they made it declare officially that this area would not be leased out, mortgaged or handed over to "any other power". Britain had lost its monopoly of exploiting the Far East and was striving to make up lost ground. On June 9, 1898, China had to sign a treaty expanding the leased territory of Hong Kong (to include the Koulung island). In January of the same year, Lord Salisbury, who was then head of the British government, suggested to the Russian government that they simply divide up China (like they had Turkey), with Britain getting the Yangzi basin.

Under such conditions, the appetites of the imperialists were growing and Japan laid claim to the province of Fujian. France forced the Chinese government to sign an agreement (on April 10, 1898) granting the French the "right" to lease the gulf of Guangzhouwan, build a railway to Yunnanfu (from the Tonkin border), and so on. At this time, the US imperialists had to take their military weakness into account, so they oriented themselves more on their economic supremacy, intending to take economic control of the entire Chinese Empire. The strategic positions of the other predators were favourable, so, in 1899, the diplomatic agents of the American monopolies put forward the infamous "open doors" doctrine (in a note written by Secretary of State Hei on September 6). The American imperialists are still proud of this doctrine, as demonstrating their "peace-loving" attitude and "friendly feelings" towards China. In fact, however, it merely disguised the USA's economic aggression. The United States was preparing for military aggression, too. The occupation of the Philippines, on the way to China, is clear evidence of this. The Taiwan methods of American imperialism go back a long way.

As a result, by the beginning of the 20th century, there was a real threat that China would be divided up and turned into a complete colony. The treachery of the Qing dynas-

ty, the corrupt mandarins and compradore bourgeoisie facilitated the expansion of colonialism. The country's honour was saved, however, by the masses, who rose up against the imperialist powers and colonial oppression. Events were speeded up by the mass ruin of the craftsmen (as a result of foreign competition), and the eviction of the peasants from the land during the building of railways. The peasants lost their incomes as boatmen, couriers, porters, and carters. The bad harvest in the basin of the lower reaches of the Yangzi and the Huanghe gulf resulted, in 1898, in famine.

In 1898, the I Ho chuan (Boxer) Uprising broke out, for the sake of peace and justice. Initially it embraced the provinces of Anhui, Jiangsu, Hengan, and Sichuan, and then of Gansu and Xinjian. The movement gained particular scope in Shandong and Zhili. Up to 1900, the rebels were attacking rich men and officials, and coming out against the Manchu dynasty and for the restoration of the Ming. Later, the chief slogan became the struggle against foreign domination and colonialism. The railways began to be torn up, telegraph lines and the homes of foreigners destroyed.

The imperialist powers responded with renewed aggression. The Empress Cixi, scared by the people's ire, declared war on them (June 20, 1900) and the consular section of Peking was besieged. Eight powers united against the Chinese Empire: Germany, Japan, Italy, Britain, the USA, France, Russia and Austro-Hungary. In a famous telegram, the German Kaiser Wilhelm II declared that Peking "must be razed to the ground". On July 14, 1900, the Chinese part of Tianjin was occupied, and whole districts were burned and destroyed. On August 15, Peking fell and fierce reprisals against the population began. During the negotiations, the German imperialists managed to get China divided up and finally, on September 7, 1901, the Chinese government was dictated the so-called Boxer Protocol, which imposed on China a very heavy indemnity of 450 million taels. Together with interest, by 1940 this meant 982 million taels. This fettered the country financially and made it a semi-colony. The Chinese Empire was humiliated to the extreme. The occupying forces won themselves the right to keep their troops in China, and so on.

The "enlightened" imperialists explained to the broad population of China what capitalism was, or the "free world", as the monopolists' lackeys call it today. In the 20th century, China came under the yoke of colonialism and the people

began to suffer even more. The lesson was learned, however, and capitalism was discredited in China. The people got to know the harsh laws of capitalism and this told on the fate of the Chinese revolution.

6. *The beginning of the Chinese revolution.* The Boxer Uprising of 1899 to 1901 was defeated, but the class struggle did not cease. The spark of a true revolution was burning, the preconditions for this being rooted mostly in China's agrarian contradictions. The feudal regime was disintegrating, but continued to exist, dooming the country to backwardness and the people to poverty, hunger and extinction. The domination of the Manchu nobility and of parasitic land-owners became unbearable. Capitalism developed in the country, but rather than improving matters, it made the feudal forms of exploitation even harsher. The Chinese workers received miserly wages and starved.

In 1870, a worker's wages in the Chinese coal industry were approximately 150 kesh (according to the German geologist Richthofen). At that time, 160 kesh was equal to only 60 German pfennigs. Since the working day was 12 hours long, the Chinese miner received only 5 pfennigs or two gold kopecks an hour.

On the colonial periphery, capitalist exploitation assumed particularly severe forms. Colonialism discredited capitalism right from the start, revealing its harsh laws. Wage slavery, rapaciously used by the imperialists, brought no benefit to the Chinese coolie. The imperialists merely rubbed salt into China's wounds.

Moreover, the bourgeoisie itself was dissatisfied with the political despotism of the Qing dynasty and the privileges enjoyed by the Manchu nobility. There were not even the most elementary guarantees of bourgeois property. The emperors were unable to protect China's trade and industry from foreign competition. The country lost its customs independence and the wide markets of its former vassal territories. Even the provinces of China itself began to be seized and the sphere of activity of the Chinese bourgeoisie was shrinking even more. Oppositionist trends also appeared among officials and scholars.

By the end of the 19th century, therefore, liberalism emerged in China, as an attempt to avert a true revolution by means of reforms. This was connected with the name of Kang Youwei.

Chinese liberalism of 1898 was very immature and was

oriented on the experience of the Japanese revolution of 1868. The liberals came to power, representing the "golden youth" of the mandarin class, which was so influential in China. The "100 days era" reforms followed, but in September 1898 the movement was defeated. Many followers of Kang Youwei were executed, and a price of 100,000 taels was offered for his head.

One decree of the "100 days era" speaks eloquently of the economic programme of Chinese liberalism: "Agriculture must be advanced in order to enrich the Empire. Sources of precious things are found in the land. If it becomes more and more cultivated from one day to the next, produce will become more abundant with each passing day and, as a consequence of this, commercial operations will expand. In this way, agriculture is the basis of trade and industry." Accordingly, a Central Bureau of Farming Commerce and Industry was set up in Peking, agricultural schools were to be opened, agricultural magazines to be published, the import of farm machinery expanded, and so on. Yet China was increasingly becoming a raw material plantation for imperialism.

As early as the end of the 1880s, in his report to the Emperor Zhang Zhidong put forward a plan for the industrialisation of China on a state-capitalist basis, oriented on the use of national capital. He proposed that a share-hold company of Chinese merchants be set up and the sale of coal and iron simplified by their purchase through the treasury. Later, too, liberals recommended circumspection in accepting outside loans, preferring the issue of internal ones. They put forward a project for setting up a Chinese bank as a national institution.

The Chinese liberals were scared of even the mention of the French anti-feudal revolution, but showed considerable interest in the activities of Peter the Great, Napoleon and Bismarck. The retention of the monarchy was taken for granted.

Being far removed from the popular masses, the liberals ignored the existence of the "worker question" in China. They planned only state regulation of the export of coolies—which amounted to a slave trade (on a contract basis). No measures were taken in practice, however. To assist the paupers, it was recommended that a "house of industriousness" to teach a trade and philanthropic establishments be set up. Kang Youwei wanted the surplus population to be moved to Mongolia and Turkestan.



Lacking the support of the masses and not even seeking it, Chinese liberalism was doomed to defeat. It did not even take advantage of the Boxer Uprising. Moreover, in the early 20th century, the position in China was becoming more and more critical. The Qing government could not gain any benefits from the Russo-Japanese war, but just remained neutral. Japan, however, having defeated the tsar's forces, seized the South Manchuria Railway, the Liaodong peninsula and Korea, which was officially annexed in 1910. In 1907, Japan and tsarist Russia concluded a convention on the division of Manchuria into spheres of influence. The American imperialists were also reaching out for Manchuria, and Secretary of State P. C. Knox put forward a project for the internationalisation of its railways (with the help of an international loan).

Under such conditions, the Qing government itself tried to implement certain reforms and save its domination. The most odious elements of the feudal regime and certain manifestations of political despotism were abolished. The Russian revolution of 1905 scared the rulers of the "Chinese" Empire, too. From 1906 to 1908 the Cixi clique declared various reforms, including the abolition of slavery, the privileges of the Manchu courtiers and the "eight-banner army"; the courts were reformed, torture abolished, money circulation unified, the smoking of opium banned, the binding of girls' feet prohibited, and financial reforms introduced. Even a Parliament on the basis of a constitution was promised.

These modest reforms could not, however, avert the revolution. They were too late in coming and merely poured oil on the flames. Chinese liberalism was revived. Petty-bourgeois trends, especially Sunyatsenism became very popular. Sun Yatsen's economic platform played a major role in the preparation for the revolution. In his speeches in 1907, in Tokyo, he did, it is true, replace the peasants' demand with the modest suggestion that land prices be fixed and measures taken for it to be bought up by the state. This still meant, however, that landlord ownership of the land would remain. The economic programme's point of departure was not production, but distribution, and its chief task—elimination of property inequality, a restriction on capital accumulation, and the introduction of a progressive capital tax. This was considered to be enough for achieving universal welfare. Sun Yatsen himself wrote that "there are no very rich men" in China and "the Chinese capitalists are simply

poor by world standards". He suggested that "the capitalist can increase production—the workers' wage will also rise. This means that the interests of the workers and the capitalists are in harmony with each other and not conflicting."

Even so, the programme of Sunyatsenism was revolutionary-democratic in character and, under the conditions obtaining in semi-feudal China, was of great progressive significance. It was positively assessed by Lenin, since it called for a radical break in the feudal regime and was oriented on the peasant masses. Lenin noted Sun Yatsen's populist illusions concerning future economic development and the possibility of bypassing capitalism, but stressed that the chief element of this programme was the breaking down of feudalism.<sup>4</sup> At a meeting in Tokyo on January 16, 1907, three famous slogans were put forward: nationalism, democracy and popular welfare. By this was meant unity of the nation, elimination of the Manchu domination, the creation of a republic and equalisation of land rights. The Russian revolution influenced the principles of Sunyatsenism. The United League emerged, each member swearing to struggle for the overthrow of the Manchu dynasty, the restoration of Chinese sovereignty, the establishment of a republic and a solution to the agrarian problems "on the basis of a just redistribution of the land".

The events of the revolution were speeded up by the death, in November 1908, of the Emperor Guang Xu and the dowager Empress Cixi. The two-year old Pu Yi, son of Prince Chun, was declared Emperor. This disrupted court circles. Yuan Shikai, in whom hopes for reforms had rested, was removed from power.

The years 1910 and 1911 were hungry ones as a result of a bad harvest, and this did even more to stimulate the peasant movement. In Guangdong and other places, the peasants put forward a demand for a redivision of the land. The peasant demonstrations found support among the paupers in town and countryside, who put forward the slogan "a wage or a cup of rice". The workers were in a difficult position. In the Yichang coal mines, loaders received 10 cents a day for carrying 4,000 pounds of coal for one and a half miles (in ten trips).

<sup>4</sup> See: V. I. Lenin, "Democracy and Narodism in China", *Collected Works*, Vol. 18, pp. 163-69.

The stimulus to the 1911 revolution was provided by one economic policy measure. In May, an imperial decree nationalised all the main railways. The supporters of the revolution interpreted this as a trap laid by the Manchus, designed to get help from foreign powers and betray national interests.

Foreign goods began to be boycotted. Meanwhile, the government won the support of the imperialists and, on May 20, 1911, an agreement was signed with a consortium from Britain, France, Germany and the USA on granting China the Huguang Railway Loan of £6 million. On October 10, in Wuchang, an uprising began, prepared by the United League. A provisional government was installed. The movement continued to expand and, on December 29, Sun Yatsen was declared president. By November 26, 1911, the Qing dynasty had been overthrown and the establishment of a constitutional system was announced. Prince Chun, the Regent of the Chinese Empire, swore loyalty to the constitution, but this was not enough. On February 12, 1912 the Qing dynasty was forced to abdicate officially. On March 10, the National Assembly adopted a temporary constitution for the new republic; it provided for a two-chamber system, and property and settlement qualifications for electors. On April 29, a Legislative Congress opened in Peking.

The economic policy pursued by the Chinese revolution of 1911-1912 deserves attention.

After the overthrow of the Manchus, the Chinese bourgeoisie believed that the grounds had disappeared for the propagation of socialist ideas. In July 1912, one newspaper (*Ming Liebao*) wrote that "after so many revolutions (in China), the people now enjoy complete equality. The rich are equal to the poor, so what do we need socialism for now?"

During the 1911-1912 revolution, the Chinese bourgeoisie put forward quite a broad programme for economic transformations. It included a demand that external loans be rejected, and that the decree nationalising the railways be annulled. The railways and financial problems were the most important. The Chinese capitalists wanted to participate in the development of mineral deposits and waged a struggle against the foreigners' mining concessions. In Fujiang, in 1910, a struggle was waged against the French mining concession. The capitalists who returned from emigration claimed a whole number of privileges (freedom from taxation, etc.) in order to compete with foreign entrepreneurs.

Many consultative committees of the provinces demanded the abolition of internal customs duties or their reform, since they hampered the development of commodity turnover and industry. At the same time, these committees insisted on the creation of joint-stock companies (tea, timber industry, railway and so on).

The struggle against the court's attempts to nationalise the railways became particularly intense. The fact was that this meant the liquidation of Chinese joint-stock companies and the buying-up of their shares at 60 for a 100, part of the sum being in non-interest-bearing securities (the securities were to be purchased in the future, using the profits of as yet incomplete railways).

The land-owners in the South were dissatisfied at the abolition of rice taxes for special outlays of a construction nature. The peasants paid the tax, but the income receipt (share) bringing in an interest remained in the hands of the land-owners.

Measures were taken to strengthen the financial positions of the Republic of China.

The Bank of China was set up in the first years of the Chinese Republic and had a capital of \$60 million, half of which was advanced by the government and half collected from merchants as subscriptions.

The 1911-1912 revolution led to a revival of railway construction in China, this being considered to be fundamentally patriotic. Sun Yatsen himself was appointed Minister of Communications, after having refused the post of temporary president of the new republic. Extensive tasks were set for the construction of new lines and the nationalisation of existing ones. An attempt was also made to attract foreign capital and, in 1913, an agreement was concluded with British capitalists on the exploitation of the Jingan-Pukou line, and with the Germans and the French on the construction of railway lines. In 1913, contracts ensued on the construction of the Shanghai and the Nanking-Henang lines. In 1915, Japan imposed on China a treaty giving the South Manchuria Railway Company the right to lay a number of lines in Manchuria. In 1916, the Russo-Asiatic Bank obtained permission to put lines from Harbin to Aigong.

After the 1911-1912 revolution, geological prospecting in China was stepped up, with the provincial authorities taking an increasing part in this. In 1916, a geological management board was set up in Peking.



7. *The historical significance of the Chinese revolution.* At this stage, however, the Chinese revolution was defeated. It did not fulfil its tasks, did not resolve the agrarian question and did not eliminate colonialism. The peasants did not receive the land, and the feudal regime and rent bondage remained. The mighty forces of the peasantry were not mobilised. The leadership of the revolution remained in the hands of the United League, and here elements embodying bourgeois liberalism and fearing a radical revolution were constantly gaining strength. Sun Yatsen himself even succumbed and did not start implementing the promised agrarian reform and indulged in petty-bourgeois illusions concerning the benefits of railway construction instead. Sun Yatsen proved spineless, and "generously" refused the post of president in favour of Yuan Shikai, who was, in fact, an adventurist and reactionary agent. Once he became president, in 1913, he made a deal with the imperialists for the Reorganisation Loan of \$25 million and undermined the revolution.

Yuan Shikai became a dictator and initiated a whole period of military dictatorships. With the support of the imperialists, he became an executioner and militarist. The historical significance of the Xinhai revolution was, however, enormous. It was anti-feudal in character and ushered in a new age in the history of China. The events of 1911-12 were a sort of dress-rehearsal for the heroic battles of the Chinese revolution in the subsequent period, which were crowned with success.

In his article "The Awakening of Asia", Lenin wrote in 1913 that "world capitalism and the 1905 movement in Russia have finally aroused Asia. Hundreds of millions of the downtrodden and benighted have awakened from mediaeval stagnation to a new life and are rising to fight for elementary human rights and democracy". Moreover, "the awakening of Asia and the beginning of the struggle for power by the advanced proletariat of Europe are a symbol of the new phase in world history that began early this century."<sup>5</sup>

In answer to opportunist arguments concerning the "social world" under the conditions of democracy, Lenin pointed out in 1913 (in his article "The Historical Destiny of the Doctrine of Karl Marx") that "a new source of great world storms

<sup>5</sup> V. I. Lenin, "The Awakening of Asia", *Collected Works*, Vol. 19, p. 86.

opened up in Asia. The Russian revolution was followed by revolutions in Turkey, Persia and China. It is in this era of storms and their 'repercussions' in Europe that we are now living." "After Asia, Europe has also begun to stir," and the "'peaceful' period of 1872-1904 has passed, never to return."<sup>6</sup>

In 1914, Lenin wrote (in his article "The Right of Nations to Self-Determination") that, on the continent in Western Europe, the age of bourgeois-democratic revolutions covered the period from 1789 to 1871, at the end of which Western Europe had become "a settled system of bourgeois states". In Eastern Europe and Asia, the age of bourgeois-democratic revolutions began in 1905, and the revolutions in Russia, Persia, Turkey and China were defined as "the chain of world events of our period".<sup>7</sup>

In 1913, Lenin wrote his article "Big Achievement of the Chinese Republic", in which he unmasked the intrigues of international imperialism attempting to take advantage of the revolutionary events in China to divide the country and set up a consortium for sabotaging loans and bringing China to bankruptcy. Lenin pointed out that the collapse of this consortium was a major achievement of the Chinese republic.<sup>8</sup>

8. *The specifics of the economic development of China in the period of imperialism.* It is of particular interest to clarify certain of the specifics of China's economic development in the period of imperialism, since this allows a more precise definition to be made of the historical preconditions for the Chinese revolution and its growing over into a socialist one.

1. The chief specific was that, like India, Iraq, Afghanistan and other countries of the East, China was still a semi-feudal country, while the USA, Germany, Japan and even Russia were undergoing intensive industrialisation in the period of imperialism, and Britain and France already had well-developed industries. The gap between China's level of economic development and those of the imperialist powers was, therefore, getting even wider. The feudal regime had become

<sup>6</sup> V. I. Lenin, "The Historical Destiny of the Doctrine of Karl Marx", *Collected Works*, Vol. 18, pp. 584, 585.

<sup>7</sup> V. I. Lenin, "The Right of Nations to Self-Determination", *Collected Works*, Vol. 20, p. 406.

<sup>8</sup> See: V. I. Lenin, "Big Achievement of the Chinese Republic", *Collected Works*, Vol. 19, p. 29.

an anachronism and it fettered the country's productive forces. Though it began to decay faster, it continued to exist.

2. This also served as one of the preconditions for the economic aggression of foreign capital. In the USA, foreign capital accelerated the mighty development of industry, but in semi-feudal China it was used for the financial bondage of the country, for pumping out raw materials and, predominantly, commercial exploitation. The investment of foreign capital in industry was very modest. It even helped conserve the feudal relations and harsh hiring terms, and became the support base of the Manchus.

3. For this reason, foreign capital provided the economic basis for the expansion of colonialism. It naturally stimulated general changes in the economy of imperialism, too. China's tragedy was that it became a victim of brutal colonialism, though many countries were rapidly expanding their industries, building railways and consolidating their economic positions.

4. A major specific of the economic development of China was the chronological shift in the industrial revolution. It began only in the period of imperialism and was not yet complete by the time of the First World War. For China this period, too, was characterised by the colonial genesis of capitalism, which developed under very unfavourable conditions.

5. Even so, the beginning of the industrial revolution was a great event in the country's economic history. A totally new situation arose and the formation of the working class, the class to which the future belonged, gained momentum. An industrial base was formed and the conditions prepared for a struggle for economic independence. The very crisis of the feudal regime entered a new phase, and the gap between the decay of feudalism and the development of capitalism was closing.

6. The development of the capitalist factory system in China was overlaid with features of feudalism and colonialism, to an even greater extent than in pre-reform Russia and Japan. The fettering forms of hire give a clear idea of this. The compradore bourgeoisie was everywhere. Bureaucratic capital played a major role in industry and many plants were financed by the state.

7. Feudal sources of the primitive accumulation of capital had a very big part to play in China in the period of the industrial revolution, too. Land rent formed big capitals,

which the land-owners invested in industry, not only commerce and usury. The same was observed in Japan and Prussia. This does not, of course, give grounds for generalisations like Sombart's, to the effect that feudal rent was the source of the capitals of the world bourgeoisie in general.

8. The inflow of foreign capital was substantial, but its role should not be exaggerated, especially in industry. Many European countries and the USA, in particular, made much broader use of foreign capital to set up factory industry.

9. The early discredit of capitalism was another specific of China's economic development in the period of imperialism. Even during the industrial revolution, the conditions were lacking for capitalism to become the ideal. Colonialism excluded the possibility of this, by revealing the harsh laws of the capitalist system. The exploitation of the masses assumed brutal forms. Capitalism appeared as a system of wage slavery, bearing the colonial yoke. The lesson taught by the imperialists was well learnt by the Chinese. Anti-capitalist moods appeared on a mass scale.

10. Thus, in China the struggles waged by the broad population against political despotism, feudalism, colonialism and capitalism merged into one, as they did in Russia at the beginning of the 20th century. This was of decisive significance for the outcome of the Chinese revolution. The growing over of the bourgeois-democratic revolution of the peasant type into a socialist one under the leadership of the proletariat became inevitable.

11. The aggression of colonialism naturally engendered bourgeois nationalism, which played a major role in the struggle against imperialism.



## THE ECONOMY OF INDIA UNDER THE COLONIAL RULE

1. *India in the vice of colonialism.* In the period of imperialism, India remained under the yoke of British colonialism. The British satraps, who obsequiously served the regime of colonial exploitation, still dominated this enormous country and its peoples. The only difference was that they had been promoted to viceroys (after the liquidation of the East India Company in 1858).

Moreover, in 1877, Queen Victoria, who had no real power even in the British Isles, was declared Empress of India, a sort of successor to the Great Moghul. For this farce, the Viceroy Lord Lytton had to invite 600 vassal princes to a ceremonial reception and spend a large sum of money on feeding them (with the Indian taxpayers footing the bill, of course). The change of scenery and rank did nothing, however, to change the situation or the principles of the colonial dictatorship. The colonial administration of British imperialism remained the same and commanded this land of ancient culture despotically.

The interests of British capital were in the foreground. One of its agents, Sir John Strachey, who was Finance Minister in India, cynically declared that, for him, "the interests of Manchester" were supreme. He repeatedly demanded that taxation be used to squeeze as much money as possible out of India. The British satraps used terrorist methods. In 1878, the Vernacular Press Act was passed, its aim being to suppress Indian newspapers and journals.

The Arms Act of 1879 deprived the Indians of the means to fight wild animals. In 1882, at the direct demand of the Manchester manufacturers, all import duties were abolished, though this hit India's industry hard. For 12 years, Lancashire's output was sold on Indian markets completely tax-free. Only in 1894 were import duties restored, for financial reasons, but only at a colonial level of 5 per cent. Moreover, in order to weaken the positions of India's textile industry,

an excise duty of 2.5 per cent was established on the country's fabrics. The monetary reform of 1899 damaged Indian industry greatly and stepped up the ruin of the peasantry. Yet it was sanctioned by the colonial administration. In 1905, Bengal was arbitrarily divided into two provinces, though the broadest strata of the population protested resolutely against this. In order to keep the people in ignorance and hinder the formation of an Indian intelligentsia, in 1904 the price of higher education was doubled.

The British satraps became genuine tyrants over the Indian people, who were forced to participate in plunderous wars that had nothing to do with India at all. Indian blood was spilt simply because the British imperialists demanded this. India's taxpayers also had to finance the British monopolies' ventures, which followed one another in quick succession: the Abyssinian war in 1867, the Perak Expedition of 1875, a Second Afghan War from 1879 to 1881, the operations in Egypt in 1882, expeditions to the North-West frontier from 1882 to 1892, the war in the Sudan in 1885 and that in Burma in 1886, etc.

The British imperialists attached great significance to the retention of their dominance over India, considering the country to be the "pearl in the British crown". Viceroy Curzon openly declared that "without India there would be no British Empire". It was not, therefore, by chance that, after the East India Company went bankrupt, such vigorous attempts were made to save its colonial legacy. The authority of the crown itself was put on the balance, and the British plunderers of India even needed an empress. To consolidate the colonial regime, extensive use was made of the tried and tested policy of "divide and rule", so the Muslims were set against the Hindus, and strife and carnage ensued. The British imperialists acted as patrons of the Muslim nobility, for whom, in 1875, the Aligarh college was set up. At the same time, laws appeared under which, in a number of districts (Audh, Sind, Broach), the primogeniture system was established. All actions by the people of India were invariably met with harsh reprisals on the part of the viceroys. Colonial despotism acquired a terroristic character. The viceroys flirted with the Indian bourgeoisie, however, and attempted to tame them, relying on the compradores.

In 1886, the creation of legislative councils was permitted in the provinces to solve local issues. Later, in 1892, the Lord Cross Act appeared on the Imperial Legislative Coun-

cil, which was allotted consultative functions. Five representatives of the Indian nation were allowed on it. In 1909, the British Parliament passed a new India Councils Act, though they remained consultative bodies. On the provincial councils, the share of elected members went up from a third to a half, but these political manoeuvres were demagogic in character and did nothing to eliminate the bloody dictatorship of British capital; they merely concealed it.

2. *Financial robbery.* The financial robbery of India became quite shameless in the period of imperialism. It was carried out by means of taxation, loans and various financial manipulations. The British satraps longed for "oriental luxury" and forced the half-starved peasants to finance their excesses. The officials of the colonial administration received very high salaries, followed by large pensions for length of service. Long-suffering India financed colonial wars and military ventures of all sorts, including beyond its borders. The officials appropriated huge sums and embezzlement of state property and corruption were considered the norm. The Indian taxpayers paid for the construction of strategic railways, in case the British imperialists came into conflict with the "Russian bear" over the colonial spoils. The peasants were even forced to cover the enslavers' outlays on putting down the Sepoy Rebellion. Since there was a State Secretary for Indian Affairs, living in London, the country had to support him and cover the costs of fabulous receptions on all sorts of occasions (such as the arrival of the Turkish sultan). As a result of arbitrary loans, granted by the colonial administration to strengthen British domination, India's national debt was constantly growing. From 1860 to 1910, for instance, it is known to have risen 4.3-fold (from 930 million rupees to 4.056 million), though the loans themselves were parasitic in character and were usually placed in London: only later did they begin to be placed in India. The rapid growth of the state debt naturally led to an increase in outlays for paying off interest. From 1860 to 1910, they went up 3.4-fold, from 42 million to 142.5 million rupees.

In fact, a good half of them had nothing to do with India's national interests. Thus, the wars waged by the East India Company engendered a loan of 350 million rupees, the interest on which had reached 1,036 million by 1931. To put down the Sepoy Rebellion, loans of 400 million rupees were granted and the payment of interest on it continued for ten years. As calculations made by a commission

of the Indian National Congress show, 1,136 million rupees had been paid off by 1931. The capital and interest paid by the East India Company engendered loans of 370 million rupees, as well as interest on them. By 1931, 843,6 million rupees of interest had been paid on these loans. Finally, the wars waged by the colonial administration from 1875 to 1914 necessitated enormous loans of 3.750 million rupees. In order to pay the interest on them, India had to pay 765 million rupees by 1931. The war with Burma, for example is known to have been unleashed in order to seize the country's oil resources, which the British monopolies needed. It was the Indian taxpayers, however, who had to cover the costs of the war.

India spent considerable financial resources on building railways. Their construction was accompanied by thefts of big sums. Since the lines were often built for purely military purposes, they proved unprofitable. It has been calculated that, by 1900, losses on them had reached 600 million rupees. Railway loans were issued to cover these, and tax revenues were used. The fact was that the railway companies were guaranteed minimum dividends of 4.5 to 5 per cent.

A clear idea of the financial robbery of India is given by the increase in the "obligations to the homeland", which included payment of loan interest to Britain, the pensions of British officials, payment for military materiel and so on.

In the time of the East India Company, these obligations swallowed up 10 per cent of the colonial administration's incomes, and after India fell into the hands of the British crown—even 18 per cent. In 1900, expenditure of this type rose to 24 per cent. From 1860 to 1900, these outlays rose 3.5-fold, and in Indian currency even 5.3-fold (since it had depreciated more). Meanwhile, over this time India's state debts had gone up by only 150 per cent. As a result, the "obligations to the homeland" and military outlays began to swallow up 60 per cent of these incomes. It has been established that, from 1900 to 1914, the aggregate colonial tribute Britain received from India was £60 million. In 1913-1914, for instance, the British imperialists are known to have received no less than £78 million from India, about 50 million of which was in profits on capital investment and direct tributes. In 1860, the payment of obligations to Britain amounted to only £7.2 million, but by 1900 they had reached £24.6 million.



The structure of the budget reflected the country's colonial dependence. From 1897 to 1902, 35.2 per cent of outlays went on the army, 22.6 per cent on the administrative machinery, 7.2 per cent on tax collecting, 5.5 per cent on opium, 4.3 per cent on paying off loan interest, 4.8 per cent on aid to the starving, and 6.8 per cent on the building of roads and irrigation systems. Yet only 6.8 per cent was spent on education, the health service and other special outlays. Even the funds intended for helping the starving were often used to finance railway construction and for other purposes. In order to facilitate this, Viceroy Northbrook took control of the department of public roads, which had been set up earlier.

A major role was played in the financial plunder of India in the period of imperialism by the British colonialist tax system, though the significance of profits on capital investment was constantly rising. Even the interest on military and railway loans was paid off from tax revenues and the tax burden was growing more and more.

From 1870 to 1900, the incomes of the colonial administration rose by 150 per cent (from £40 million to £103 million), which, in Indian currency, meant a 400 per cent rise. The share of land tax was, it is true, falling, from 63 per cent in 1857 to 37.4 per cent in 1897. The events of the 1857-59 peasant rebellion showed just how dangerous it was to levy direct taxes on the impoverished peasantry. The British satraps began, therefore, to orient themselves on other, more flexible forms of tax plunder, with income tax, the salt tax, excise and stamp-duty coming to play the leading role. The income tax was introduced in 1857, then abolished and restored again in 1886. The farmers were, however, exempted, if their incomes were below 600 rupees a year. In 1886-1887, this tax provided 13 million rupees, and in 1902-1903—21 million. From 1890 to 1900, the salt tax gave about 80 million rupees a year. New taxes were introduced. In 1878, for instance, a special tax began to be levied on behalf of the starving. This fact shows quite eloquently what the situation in India was like. Local taxes, which were used for the needs of local officials, were rising.

The structure of the colonial administration's tax budget gives a clear idea of the fiscal policy pursued by the British satraps. From 1897 to 1902, land tax accounted for 37.4 per cent, the salt tax for 12.1 per cent, revenues from opium—8.9 per cent, excise—7.9 per cent, duties—6.8 per cent,

stamp-duty and post tax—6.7 per cent, income tax—2.7 per cent, forest tax—2.4 per cent, local taxes—5.3 per cent, etc. Even so, the main source of colonial tribute was direct robbery of the peasantry, the share of the land tax being the highest, though it was falling. The significance of the salt tax was stable and large, and this, too, of course, fell mainly on the peasants. The role of income tax was not great. Big revenues from opium were quite characteristic of the British imperialists' colonial budget.

In general, the tax burden was very heavy. It is believed that the average per capita income rose by only 50 per cent from 1870 to 1900 (from 20 to 30 rupees), but taxes were growing much faster. In 1877, the land tax in the Madras Province is known to have swallowed up a third of the gross product and all the "economic rent". It is not surprising that, in 1875 alone, about a million people died from starvation in this province. The tax burden was also increased by the fact that the national income was very low, and the peasants had to give literally their last crust to the tax-collector.

3. *The expansion of commercial exploitation.* In the period of imperialism, the commercial exploitation of India continued by the methods that had been elaborated in the preceding period. British imperialism used India as a sales market and a source of cheap raw materials. The exchange was not an equivalent one, however, and Lancashire's industrial goods continued to be sold at prices above the price of production (costs of production plus average profit). The cost of British factory-made goods was much lower than that of Indian ones (mostly made by craftsmen). Thus, India was a source of colonial superprofits, and the pursuit of these was the traditional task not only of the East India Company, but also of its successors. This system of commercial exploitation even expanded during the period of imperialism, since the extensive export of Birmingham's metal goods to India began. This extended the front of commercial intervention, which received a firmer economic basis. Moreover, the monopolies that were emerging in Britain exerted an impact. They put considerable pressure on prices and possessed considerable opportunities for combating foreign competition. By the end of the 19th century, Britain had, it is true, lost its role as the "factory of the world", but this merely served to increase the vigour with which the British imperialists fought to consolidate and expand the colonial empire. Britain's industrial base proved quite adequate for the commercial exploi-

tation of India. To this end, extensive use was made of Britain's political domination of the country, too. As already noted, the British satraps in India carried out the orders of the Manchester manufacturers and deprived Indian industry of customs protection.

In 1878, the customs duties were abolished on many cotton goods and, in 1882, were lifted altogether (with the exception of those on salt and alcoholic beverages).

Economically backward India was defenceless in the face of the commercial intervention on the part of the British manufacturers. The traditional Free Trade slogans were applied in the Empire. In the mid-1890s, the duties on imported fabrics were restored, but under the 1896 law could not exceed 3.5 per cent, while a substantial excise was charged on fabric goods of Indian make.

The British manufacturers' exports to India were facilitated by the construction of railways, ocean-going vessels and the commercialisation of the Indian economy. The consumption of foreign-made fabrics was rising steadily, especially among the urban population. It fluctuated greatly, but in 1896-1897 equalled 1,932 million yards, and in 1913-1914—3.042 million. The extensive commercialisation of the Indian economy can be seen from the increase in freight turnover, too. From 1899 to 1914, the number of goods wagons rose from 73,000 to 184,000 and the distance covered by them trebled from 1899 to 1912 (from 20 million miles to 60 million).

Imports of all sorts were rising, especially of manufactures. From 1865 to 1875, they were worth 331 million rupees, but from 1905 to 1915—1,398 million. Consequently, in the decade before the First World War, India's commodity imports were 320 per cent higher than their average volume at the turn of the 1860s and 1870s. The structure of imports remained the same, reflecting the country's colonial position. From 1907 to 1914, for instance, finished goods accounted for 76.5 per cent of Indian imports, and raw materials for only 6.87 per cent. The share of ready-made foodstuffs and beverages was 15 per cent.

True, there were two factors weakening the commercial exploitation of India by British capital in the period of imperialism. In India itself, factory industry was developing and putting large quantities of output on the home market. From 1896 to 1914, the consumption of Indian-made fabrics rose from 1,031 million yards to 2,102 million, i.e. it doubled,

with the share of factory-made cloth increasing. In 1896-1897 it was 22 per cent, but by 1913-1914—already 50 per cent. In addition, Britain was losing its industrial monopoly, and Indian markets began to receive large quantities of German and Japanese goods. From 1885 to 1895, British goods constituted 78 per cent of all India's imports, but from 1905 to 1915 only 63 per cent (on average), though the value of these goods (annual average) had risen from 538 million rupees to 918 million. Britain was expanding its commercial intervention, but was forced to relinquish part of the market to its competitors. Their invasion of the market affected prices, too: a partial drop in prices led to a fall in superprofits.

Raw materials continued to be pumped out of India in the period of imperialism. In spite of the fact that Indian industry was developing somewhat, the country remained an agrarian appendage of industrial Britain. The economic dependence of the Indian peasants on the world market was even increasing, since individual regions were now specialising very narrowly.

"Commercial" agriculture was also developing in India, and whole areas were specialising in the production of specific raw materials or foodstuffs. The Punjab, for instance, produced wheat, Bengal—jute, Maharashtra—cotton, Assam—tea, Madras—groundnuts, and so on. If the demand for one of these fell in Britain, prices rapidly dropped and millions of peasants lost their livelihood. Being shackled to the chariot of British capitalism, India could not escape from it and remained an agrarian reserve for Lancashire. Active measures were taken by the British satraps to appropriate Indian raw materials. Even the construction of the railways was used for this purpose, though this was usually described as one of the colonialists' greatest good deeds. In fact, railway lines in India were only built to facilitate the delivery of raw materials to the ports, while the interests of domestic trade and communications between the provinces were totally ignored. In the mid-1870s, the Gladstone government abolished duties on the export of grain, which had previously stood at 5 per cent. The motivation behind this was to satisfy the Manchester manufacturers' demands for an expansion of the commercial exploitation of India. Preferential rates were often set for the transportation of raw materials by India's railways. The so-called British Managing Agencies (British companies in which Indian capital participated)



did much to help pump raw materials out of India, as did all sorts of middlemen. They financed the peasants and bought up their valuable raw material output cheaply. Plantations producing various raw materials (especially tea) expanded in India.

All this led to an increase in exports of raw materials and foodstuffs. The value of jute exports rose, for instance, from £1.4 million in 1865 to £8.6 million in 1914, the figures for grain being £5.9 million and £9.3 million, respectively. There was, however, a drop in the value of cotton exports (from £37.5 million in 1865 to £11.1 million in 1880), but this was because Indian cotton was of poor quality and could not compete with American and Egyptian. In many areas, and whole provinces, Bengal among them, cotton ceased to be grown and was replaced by jute. The cotton-growing centres were shifting to the central provinces, and most of the cotton was now supplied by Hyderabad, Baroda, and Travancore. Exports began to go up again and, in 1914, stood at £22 million. Moreover, large quantities of oil-seeds, leather and other raw materials were leaving India. In India, raw materials accounted for 50.1 per cent of India's exports, but manufactures for only 22.4 per cent. A major place in exports belonged to foodstuffs and beverages, the share of which equalled 28.7 per cent from 1907 to 1914.

Part of the cheap raw material was processed into finished goods by British manufacturers in India itself. This, too, however, was accompanied by an expansion of the country's commercial exploitation, since the raw materials were bought up at low prices. Marx wrote that, under the conditions of the colonial regime in India, peasant communes "had to sell a portion of their produce, and a constantly increasing one at that, for the purpose of obtaining money for taxes wrung from them—frequently by means of torture—by a ruthless and despotic state. These products were sold without regard to price of production, they were sold at the price which the dealer offered, because the peasant perforce needed money without fail when taxes became due."<sup>1</sup>

In the period of imperialism, as Lenin showed, raw material exports rose sharply, and India was no exception. Most Indian raw materials, especially jute and cotton, went to Britain. From 1885 to 1895, their share in Indian

exports stood at 35 per cent. Later the figure dropped somewhat but by 1905-1915 was still 28 per cent. From the end of the 19th century, large batches of Indian cotton were also exported to Japan, while Indian manufacturers went mainly to China, Indonesia and Indochina.

The total volume of India's foreign trade was increasing rapidly in the period of imperialism. From 1864 to 1869, the mean annual volume of imports was not more than 317 million rupees, but for 1909-1914 it was 1,516.7 million. Consequently, over this period there was an almost 5-fold increase in commodity imports. The mean annual value of commodity exports quadrupled (from 558.6 million rupees to 2,242.3 million). India was drawn deeply into world commodity turnover.

It should be noted that its balance of trade was permanently in the black. There was a significant difference between India and China in their foreign trade, because more raw materials were pumped out of the former. Moreover, Indian tea ousted Chinese from the world market. The export of opium, especially to China, assumed considerable proportions. At the same time, many cotton fabrics were exported from India to the Far East. Exports of precious metals were considerable and constantly rising. From 1865 to 1875, they were worth 17 million rupees; but from 1905 to 1915, 80 million. Thus, the overall total of foreign trade was in India's favour. There was also an inflow of precious metals, which covered their outflow. From 1865 to 1875, an average of 116 million rupees worth of these metals was flowing into the country, and during the prewar decade the figure was already 399 million. Large quantities of gold and silver accumulated in India, but in the hands of the British, the compradore bourgeoisie and the feudal nobility. In fact, the golden surface hid terrible poverty of the masses, and Britain used foreign trade to ruin them completely.

4. *The monetary policy of the colonial administration.* India's very monetary system was used in the period of imperialism to rob the masses and strengthen the colonial yoke, as well as to infringe on the economic interests of this enormous country. A clear idea of this is provided by the policy pursued by the British satraps in the sphere of money circulation.

Its problems increased more and more, since commodity prices were generally rising in India up to 1913, though with some interruptions. Moreover, in the 1870s, world silver prices

<sup>1</sup> Karl Marx, *Capital*, Vol. III, p. 726.

began to fall. This was no chance phenomenon, and a protracted one, since it was stimulated by the reduction in the role of silver in the money circulation of many countries and partly by a drop in the cost of silver mines' output. The demonetisation of silver in Europe and the USA added impetus to its flow into Asia, including India. From 1870 to 1914, silver depreciated by 60 per cent and, in 1914, it was worth only 2.51 per cent of the price of gold, while previously only 15.57 ounces of silver were needed to buy an ounce of gold (1870).

The British banks even stepped up the flow of silver into India in order to cover the enormous exports of raw materials. From 1889 to 1894, silver imports reached 610 million rupees (over the entire five-year period). The British banks made a lot on this, since the depreciation of silver in India was slower than elsewhere.

In India this depreciation intensified the plunder of the masses. A big gap opened between nominal and real wages, the latter falling sharply. India became more and more financially exhausted, since tributes to Britain had to be paid in pounds sterling, in exchange for which increasing numbers of rupees had to be handed over. Even the British exporters suffered, since they had to sell their goods in India for devalued rupees. The drop in the exchange rate of the rupee was slower than the depreciation of silver. It became profitable to use the silver to mint coins, which is what the British banks, feudals, and usurers actually did, sending ingots of silver to the mints. Many speculators began to buy up silver to turn it into rupees, and made their fortunes in this way. The export of goods from India was stimulated by a sort of "currency bonus", but this fell into the hands of the British capitalists, who predominated in the sphere of export operations. The British dealers in raw materials took advantage of the fact that, in India, silver was losing value more slowly, and became rich by buying this raw material on the world market, where the price of silver was much lower.

Indian nationalists put forward the slogan of a transition to gold metallism, but the colonial powers put a brake on this, considering that the partial devaluation of the rupee was profitable to the British bourgeoisie. Even so, a monetary reform became inevitable and was carried out from 1893 to 1898. It led to the abolition of the silver standard in India's money circulation, since the devaluation of the

rupee had gone too far. The Manchester manufacturers and even the colonial officials themselves began to suffer greatly from this. From 1874 to 1893, the rupee exchange rate dropped from 22.35 pence to 13.1. Under the act of July 15, 1893, the free minting of silver rupees was prohibited by private order. Minting became a state monopoly and was carried out using only government-owned silver. Up to 1900 no more silver rupees were being minted at all. As a result, the rupee exchange rate was freed from any direct link with the market price of silver. A firm rupee exchange rate of 16 pence was set, meaning that the pound sterling became the currency basis of India's money circulation. The pound-rupee ratio was 1 : 15. Silver virtually ceased to be the basis of India's monetary system. The rupee exchange rate was attached to the British currency and isolated from silver.

A set rupee exchange rate was attained only in 1898, when it was at the level of 16 pence, and was then maintained until 1916. When this was achieved in reality, however, the artificially high rate began to hamper India's industrial development. The incomes of colonial officials and exporters of India manufactures went up, though. The amount of paper money in circulation increased but, under the 1900 law, the Indian authorities committed themselves to holding part of their security reserves in gold and to keeping some of them in London. In practice, this meant that Britain appropriated a substantial quantity of India's gold, though this rapacious operation was disguised as being in the interests of the "sterling security" of the rupee.

In this way, as a result of the reform, a stabilisation of the rupee exchange rate was achieved, the British exporters of manufactures and capital having been in great need of this. At the same time, India's economic dependence on Britain increased, since the rupee exchange rate was attached to that of the pound sterling, and gold and sterling reserves began to be held in London, where they were at the disposal of Secretary of State for India. India had difficulty exporting and remained a sales market for silver.

The apologists for colonialism assert that the reform resulted in the establishment of a gold standard, but this did not, in fact, happen and the reform actually meant a transition to a sterling devisa system that spread the colonial system to money circulation, too. From 1900 onwards, the minting of silver coins was resumed and increased. The



colonial authorities sought a way to use the imported silver. Moreover, minting provided a substantial money income. The supply of paper money in circulation was also growing.

In 1900-1901, there were 288.8 million paper rupees in circulation, and in 1912-1913—656.2 million. The increase in the volume of paper money circulation by 125 per cent over such a short period did not correspond to the growth in commodity turnover. In 1903 the universalisation of paper money began. Banknotes were increasingly recognised as legal tender and a universal means of payment (especially ones worth 5, 10, 25 or more rupees), though silver coins still predominated in circulation. At the same time, gold began to flow in in large quantities. From 1900 to 1914, net gold imports reached the enormous sum of 2,166 million rupees (total).

Colonialism left its mark in that money circulation and the currency system in India were closely linked with the finances of the colonial administration, and even more so with state credit. At the same time, the issue of banknotes was separated from the turnover of bills of exchange of a commercial nature and from the crediting of the economy, so it did nothing to encourage the country's economic development. Payments on foreign trade were based primarily on government securities, which were bought and sold in London. The regulation of the exchange rate of the Indian rupee was closely tied to the payment of colonial tribute to Britain. Support for the stability of the rupee was made a function of state credit and British government securities, so it was, in fact, largely fictitious. During the 1907 economic crisis, the promise to exchange silver rupees for gold was rescinded.

5. *The expansion of foreign capital.* India's economic position was greatly influenced by the latest shifts in the economy of imperialism. As Lenin showed, the period of imperialism "was characterised by the mass export of capital to the colonies," semi-colonies and economically backward countries. This was seen in India, too, the country being a typical colony and the most important one in the British Empire. British capital flowed into India; the economic base of colonialism was thus expanded and the exploitation of the masses stepped up. It acquired new forms and the system of wage slavery became the lot of millions of people. The traditional methods of tax and commercial exploitation proved inadequate for the system of monopoly capitalism, so large amounts of capital were exported to India in order to expand

the exploitation of wage workers and make use, on the spot, of the cheap raw materials and incredibly cheap manpower. The so-called "Asiatic poverty" was an economic reserve for the capitalist monopolies and attracted enlightened slave-owners with its promise of high profits.

The export of capital to India had, it is true, begun at the time of the East India Company's domination, as is clearly shown by figures on the growth of India's state debt (the country was vanquished and plundered by means of foreign loans, which it had to pay off over decades). The state debt was growing much faster than Indian capitalism and was parasitic in character. Only part of the loans placed in Britain were used, from the mid-19th century, to build railways, irrigating systems and public amenities.

Right from the beginning, a major role in the export of capital was played by foreign banks, which appeared at the end of the 18th century. Later, in the first half of the 19th century, so-called presidential banks, i.e., banks for entire provinces, were set up in Bombay, Madras and Calcutta. They were the offspring of the East India Company and were designed to facilitate colonial plunder and a step-up in the commercial exploitation of India. It was a matter of financing the commercial operations of various companies. These banks remained after 1858, too, as semi-government institutions. They were headed by the British, who also owned the overwhelming majority of the shares. Presidential banks held the budgetary resources of the colonial authorities, financed them and placed government securities; they were closely connected with government credit. In the 19th century, the resources of these banks grew only slowly and from 1870 to 1900, their total deposits (government and private, plus capital and reserves) rose from only 118.3 million rupees to 156.8 million. At the beginning of the 20th century, however, this process gained momentum, mainly owing to an inflow of private deposits. From 1900 to 1910, total deposits increased to 365.8 million rupees. Having monopolised India's internal credit, the presidential banks were able to pay their share-holders large dividends.

In 1914, the Bank of Madras paid 12 per cent, the Bank of Bombay—13.5 per cent, and the Bank of Bengal—16 per cent. In 1913, these banks accounted for 40 per cent of the total deposits of all banks functioning on Indian territory (616 million rupees).

Moreover, even when the East India Company was rob-

bing the country, so-called Agency Houses were set up in India to deal with the transfer of currency, partly to engage in commerce, and to credit foreign trade operations. Later, private banks of British origin emerged, though the East India Company tried to prevent this. In 1842, the Oriental Banking Corporation began functioning, followed by the Chartered Bank of India, Australia and China, and the Chartered Bank of Great Britain (1853). The system of joint-stock banks was introduced to India, too. In 1880, there were already four foreign banks in the country, in 1900—8, and, in 1910—11. They were managed from outside India and were not subject to its laws, enjoying virtually the right of extraterritoriality. Indians could only be clerks and tellers in them, though the banks pumped large dividends out of India and became yet another heavy burden to the country. In 1913, such banks held 34 per cent of all deposits (241 million rupees out of 911 million) in India's banking system. From 1870 to 1900, the operations of British banks in India grew rapidly. Later, from 1900 to 1913, the resources of foreign banks rose even faster than those of presidential and Indian banks. Profits were very high. From 1918 to 1929, for instance, the Mercantile Bank of India paid its share-holders a 17 per cent dividend, and the Chartered Bank of India—even 20.25 per cent.

There are no precise figures available on the scale of capital exports to India, but they were no doubt enormous. It is believed that, as early as 1869, India's foreign securities were worth 4.4 billion rupees and, by 1910, had reached 5.4-6.7 billion. Only after 1910 did foreign investments begin to fall. Yet about 50 per cent of these enormous sums went for non-productive purposes, since India remained a colony of the British Empire. Thus, according to Sir George Paish's calculations, in 1909/1910, out of £365.3 million of British capital investment in India and Ceylon, £178.9 million were in the form of government securities (loans by the colonial authorities). To this should be added investment in railways (£136.5 million), tea and coffee plantations (£19.6 million), rubber plantations (£4.6 million), mines (£3.5 million), banks (£3.4 million), commercial and industrial establishments (£2.6 million), public amenities and others (£16 million). Consequently, the lion's share of the capital was swallowed up by the financial requirements of the colonial satraps. The rest went almost entirely into railway construction and the production of raw mate-

rials. Only negligible sums were used to develop India's industry.

The expansion of foreign capital strengthened India's colonial enslavement. The export of capital was a mighty weapon in the hands of the imperialists. Financial means backed up military occupation. There was an increase in the exploitation of the masses. As Marx noted, even in 1881, that which the British took annually from the Indians—in the form of rent, dividends from the railways, of which the Indians had absolutely no need, pensions to military and civilian officials, the costs of the Afghan and other wars, and so on and so forth—that which they took from them without any equivalent, without counting what they appropriated for themselves every year in India itself, i.e., counting only the value of goods that the Indians were forced to send every year, free of charge, to Britain—exceeded the total incomes of 60 million peasants and industrial workers in India. This was real blood-letting. Famines followed one after another in the country, and on a scale of which Europe simply had no conception.<sup>2</sup> It has been calculated that, from 1850 to 1914, values worth £2.75 billion were forever removed from India.

6. *The industrial development of India.* Though the colonial regime dominated, Indian industry did develop during the period of imperialism. Railways were so essential for exporting raw materials and importing goods that even the British satraps had to encourage their construction. The British monopolies needed enterprises for carrying out the primary processing of raw materials (ginneries, packing warehouses, rice-polishing factories, tea factories, and enterprises for processing indigo). Some sorts of raw material were more profitable to process in India (jute, and partly cotton), since manpower was very cheap there, and then export as finished goods for enormous superprofits. Hard coal was required as fuel for the railways, plants, factories and public amenities, so coal-mining acquired very great importance.

Consequently, the economic contradictions of the colonial regime and the foreign capitalists' pursuit of colonial superprofits engendered the conditions for a certain development of Indian industry. The inflow of foreign capital also promoted this, part of it being invested in industry. Lenin wrote

<sup>2</sup> See: "Marx to Nikolai Frantsevich Danielson in St. Petersburg, February 19, 1881", in Marx/Engels, *Selected Correspondence*, p. 316.



that imperialism "accelerates capitalist development in the most backward countries, and thereby extends and intensifies the struggle against national oppression."<sup>3</sup> It is understandable that the partial development of some branches of light industry and raw material production was not menacing to colonialism. Indian's economic dependence on Britain was even strengthened.

In addition, factors connected with India's own internal development also had an effect. The commodity nature of the economy increased, and the home market became more capacious. The disintegration of feudalism was well advanced as a result of the many agrarian reforms and the development of "commercial farming", the break-up of communes, and the expropriation of part of the feudal lords. The migration of the peasants assumed considerable proportions. Their expropriation increased even more and inexhaustible supplies appeared of very cheap manpower. The Indian compradores accumulated very big capitals which, even as early as the 1850s and 1860s, were sometimes used for industrial purposes. The industrial revolution that began at the time and continued in the 1870s stimulated the further development of factory industry in India.

The construction of railways was of extreme economic importance, especially since no canals were built for transportation purposes. From 1869 to 1879, the colonial administration laid railways even at its own expense. From 1879, private companies were involved in this again. Previously, their dividends had been guaranteed, but this time they were given financial assistance and allocated land. Some railways were built by local rulers. As a result, India's railway network expanded quite rapidly. In 1913-1914 it reached 34,656 miles. A large share of the lines was in the hands of the colonial authorities, since they bought up all the railways that private companies had built for guaranteed minimum dividends. Numerous loans and even funds intended for rendering assistance to the starving were used for building railways. As before, lines were laid from regions where raw materials were produced to seaports, as well as ones of strategic importance, while the interests of domestic trade were ignored. A dual management system arose, since the

<sup>3</sup> V. I. Lenin, "The Military Programme of the Proletarian Revolution", *Collected Works*, Vol. 23, p. 78.

state-owned railways were run by private companies under state supervision. This gave rise to many difficulties.

Very big capitals were involved in the railways. In 1901, they totalled £227 million. The expansion of the railway system required an increase in the amount of coal mined. Up to 1886, coal output was growing only slowly, but then it put on a spurt. From 1885 to 1894, the number of workers rose from 22,745 to 43,197 and the coal output from 1.2 million to 2.8 million tonnes. The rise was considerably held back, however, by transport difficulties. The coal was mined in Bengal (75 per cent) and it cost a lot to transport it to the industrial centres (such as Bombay). It was more profitable to export it than to use it inside India. In 1894-1895, 53,665 tonnes were exported, while 800,000 tonnes of British coal were imported into Bombay. Later, coal output grew and, in 1914, reached 15.7 million tonnes. There were 151,367 workers in this industry by that time. Mining was expanding, as before, in Bengal, which, in 1906, provided 95 per cent of India's total coal output. From 1902 onwards, the railways began to consume almost exclusively Indian coal, but coal continued to be imported from Britain. Bengali and Welsh coal cost roughly the same at the seaports in the west of India (such as Karachi).

Oil extraction began in Upper Burma. In 1887, two companies were founded and began using modern technology for this purpose. In 1890, output had already reached 1.5 million gallons, in 1900—37.7 million and, in 1914—259.3 million. Also worth noting was the organisation of the mining of manganese ore in 1892 (on the territory of the Madras Province). The expansion of the steel industry in Europe and the USA stimulated the demand for manganese ore. Output increased and, from 1908 to 1911, India became the world's biggest manganese ore exporter, the total output being exported. In 1913, 20,500 people were engaged in mining it.

The mining of gold expanded from 1880; many companies emerged for developing the Kolar deposits (on the territory of Mysore). Salt was mined in large quantities, but not enough to cover domestic demand. India was the world's biggest mica mining country. In 1913, 18,000 people were employed in this industry. The mining of saltpetre was not increasing, even though India had a monopoly in this sphere, mainly because of competition from substitutes.

Finally, a major event was the emergence of a modern metallurgical industry. The company belonging to the Indian

capitalist Jamshetji Tata built a metallurgical works that began operating in 1911.

In general, however, heavy industry was still in its infancy and was not characteristic of India in the period under consideration (1870-1917). This is shown eloquently by the fact that India had no modern metallurgical industry or, engineering, and had to import large quantities of coal, railway equipment, machine-tools, and so on. Foreign capital avoided heavy industry, since it required large investments and did not always promise high profits (since the capital turnover was slow and the market limited). On the other hand, heavy industry would have helped India achieve economic independence, and this certainly did not figure in the colonial authorities' plans.

In India, from 1870 to 1917, it was primarily light industry that developed, with cotton production in first place. From 1879 to 1895, the number of cotton mills increased from 58 to 144, that of workers from 39,537 to 139,578, that of spindles from 1.4 million to 3.7 million, and of looms from 13,307 to 34,161. Moreover, in the first two decades there was a rapid increase in the production of yarn, owing to increased exports of it to China and Japan. From 1879 to 1891, yarn exports rose from £26.7 million to £170.5 million. From 1890, however, Japanese businessmen began to build their own cotton-spinning mills and import raw cotton from India rather than yarn. Weaving began to expand faster in India. No major changes had taken place in the location of India's cotton industry by the turn of the century. In 1894-1895, out of 144 factories, 100 were on the territory of the Bombay Presidency, and 67 of these in Bombay itself.

Later, from 1895 to 1900, India suffered greatly from famines and epidemics. The home market contracted temporarily; the working people of Bombay were dying from dysentery and plague or escaping to the countryside. In 1902, speculation in cotton began in America, so it went up in price and the production of certain types (of lower quality) became unprofitable. The Chinese market was disrupted and the depression lasted until 1905. Even so, India's cotton industry continued to grow. In 1913-1914, the number of factories reached 264, of workers—260,847, of spindles—6.6 million and of looms—96,688. The number of spindles began once more to grow faster than that of looms, but later a different picture emerged. At the beginning of the 20th

century, the rise in the number of looms overtook that of spindles. Moreover, the output of fine fabrics and ones of higher quality increased. This reflected the pressure of competition on the Chinese market, where Indian manufacturers had to compete with British and Japanese ones. About a sixth or a seventh of the fabric goods produced were exported, primarily to the Arab countries, Persia and East Africa.

Second place belonged to the jute industry, which had been founded back in the 1850s and 1860s. Later it grew almost as fast as cotton production, though its raw material base was less reliable (owing to fluctuations in the yield) and the demand for the output less stable. Even so, the concentration of production told on the jute industry more, and the number of spindles and looms increased steadily. Thus, from 1879 to 1895, the number of factories went up from 22 to 29, of workers from 27,494 to 75,157, of spindles from 70,840 to 201,217 and of looms from 4,946 to 10,048. Consequently, the number of workers and machines was rising much faster than those of factories. This means that only big enterprises were being built and production was being expanded to existing ones. This industry was located mainly around Calcutta. Out of 29 factories, 26 were situated there: this was because Bengal was the only supplier of raw jute. In the period from 1895 to 1900, the jute factories suffered from the consequences of the famine and from a drop in the demand for sacks. Later, the industry went through repeated depressions (such as in 1905-1906). Competition on world markets, especially in Germany and the USA, was felt increasingly. Yet the growth of the jute industry still continued, as can be seen from the fact that, from 1895 to 1914, the number of factories rose to 64, of spindles to 744,289, of looms to 36,050 and of workers, to 216,288. The chief trend noted above emerged once more: the numbers of workers and machines grew faster than those of factories. The influence of monopoly capitalism on the concentration of production was revealed very clearly.

The development of the cotton and jute industries in India could not, of course, shake the foundations of colonialism. On the contrary, in fact, it led to a strengthening of its economic dependence. Bengal became a monoculture province and wholly depended on British firms buying jute. Its processing in Calcutta's factories was carried out with the help of cheap manpower, which brought the firms enormous profits. When they became the monopoly suppliers



of sacks to the world market, the British capitalists began to make even more money for themselves. They robbed the Bengali peasant (when purchasing his jute), exploited the Calcutta worker and appropriated monopoly rent on the world market. In the cotton industry, Indian capital held rather strong positions, but British businessmen also used it for the commercial exploitation of the peasants (by purchasing the valuable raw materials cheaply) and the Bombay workers. The output from Bombay's mills was exported to China or sold in India itself, in both cases bringing in colonial superprofits.

The influence of colonialism was particularly clear in the raw material industry, which was a true offspring of colonialism and was intensively implanted by British raw material speculators.

This industry was closely linked with agriculture, 50 per cent of it being involved in this sphere. Tea and coffee plantations were agro-industrial enterprises that brought in big incomes. British firms were able to exploit hired agricultural labourers and factory workers at one and the same time, and then reap monopoly rent on the world market. Indian tea was gradually ousting Chinese and the British were gaining a monopoly. From 1885 to 1896, the area of tea plantations increased from 284,000 acres to 433,133, most of them in Assam, which, in 1896, accounted for 67.4 per cent of the total area under tea. Tea plantations were, however, expanding in Bengal, the North-West provinces, the Punjab and the South of India. Output was growing even faster than the area of plantations, since the cultivation techniques were improving and machinery began to be used to some extent. Sales expanded and the share of Indian tea in British imports rose from 4 per cent in 1866 to 59 per cent in 1903, and Ceylonese to 31 per cent, that of Chinese tea falling to 10 per cent. After 1895, however, prices began rapidly falling and, from 1902 to 1906, a contraction of the area of tea plantations became inevitable. From 1906 onwards, however, they started expanding again.

The coffee plantations were situated in the Madras Presidency and flourished up to 1879. From then until 1888, however, Brazilian competition pushed prices down and many plantations were turned over to tea. The situation was complicated by the fact that 96 per cent of Indian coffee was exported. True, from 1889 to 1896 matters improved, since political events in Brazil reduced competition from

that quarter. From 1896, Brazilian competition grew again and prices hurtled downwards. From 1900 to 1914, coffee plantations were contracting, from 260,887 to 203,677 acres.

The production of indigo remained virtually stable from 1860 to 1895. In 1894-1895 exports reached their peak, and then began to fall. The reason was German competition. From 1897, factory-made aniline dyes became widely available. From 1895 to 1914, Indian exports of indigo dropped to less than a fifteenth, while domestic demand remained negligible.

India had a long-standing sugar industry, but it was destroyed by foreign competition. At the end of the 19th century, large quantities of sugar began to be imported from Java and elsewhere. Sugar refineries became unprofitable. In the United Provinces over 180 refineries closed down from 1895 to 1900. The cultivation of sugar-cane was falling rapidly.

It should also be noted that from 1870 to 1914, many ginneries, packing plants (with cotton presses), rice-polishing plants, and so on were set up in India. All they did, however, was to serve export firms and strengthen the economic positions of colonialism. It became easier to pump raw materials and foodstuffs out of the country, this being one of the primary tasks of the British monopolies.

In general, from 1870 to 1914, India advanced little in industrial development. Heavy industry did not grow substantially, while the light and raw materials industries merely consolidated the economic positions of colonialism. This was confirmed by the 1911 census, which registered 7,113 "factories", but this definition included all enterprises with 20 or more workers. Meanwhile, only 4,569 enterprises of this type were using mechanical motors, i.e., less than two-thirds. In most cases these were manufactories or even simple capitalist co-operative enterprises. The number of workers reached 2,105,824, but about 40 per cent of these were employed on plantations (810,407 people) and primarily in the textile industry (557,589). More precise figures on the distribution of workers are as follows: tea plantations—703,585, cotton industry—308,190, jute—222,319, coal—142,977, railways—98,723, coffee plantations—57,623, brick and tile works—46,156, mills and rice-polishing plants—42,374, printing works—41,598, indigo plantations—30,795, gold mines—28,592, mechanical and engineering works—23,147, and so on.

7. *The formation of the industrial bourgeoisie.* Colonialism deformed the development of Indian industry, adapting it to the interests of the British monopolies. A clear idea of this is provided by the fate of leather production, which had for a long time been developing in the region of Madras and in the 19th century gave rise to small-scale forms of capitalist production. From 1899, the mass-scale export of raw leather began, in connection with the discovery in America of chrome tanning methods and the expansion of the factory production of footwear. The prices of raw materials went up and Madras's leather-works closed down. Attempts to introduce chrome tanning failed.

Indian industry was developing very slowly, and the enterprises that were built usually belonged to foreigners. Tea, coffee and other plantations were, as a rule, owned by British capitalists. The railways and coal mines were held securely by the British. The jute industry was set up by British businessmen and made them rich. True, Indian capital was involved and in 1913, 55 per cent of the shares in jute factories belonged to Indians. British capital played a significant role in the cotton industry. In 1898, out of the £14.9 million capital of cotton mills, a third belonged to British citizens. Their share in the capital of paper mills, wool-weaving mills, gineries, creameries, sugar refineries and all sorts of plantation reached 75 per cent.

British firms reaped enormous profits from Indian industry. It has been established that the textile plants of southern India gave a 50 per cent rate of profit. This was achieved by means of the harsh exploitation of the workers, the use of cheap raw materials, and so on. A major role was also played by exploitation of the local peasantry. For decades on end, the firm Parry and Co. monopolised the production of sugar and treacle there, purchasing the raw material from the peasants for a song. Yet the latter were forced to buy fertilisers at treble their real price. Even transport problems were solved at the peasants' expense.

In the period from 1870 to 1917, however, national capitalism also gained strength in India. Its development was inseparably linked with the expropriation of the masses and the formation of big capitals. In India, the processes of primitive accumulation, which had started much earlier, were still underway. This was because of the country's economic backwardness, the retention of feudal relations in the countryside, the domination of colonialism and plunder

of the country. As a result, at the beginning of the 20th century, processes that had been initiated long before were still to be observed.

As in China, money-lending held secure and acquired monstrous forms. It has been calculated that in 1911 the Indian peasants were in debt to money-lenders to the tune of 3 billion rupees. These were almost always loans on fettering terms and the debts snowballed with time. In 1896, one man is known to have received a loan of only 26 rupees on the earnest of his land. The money-lenders, however, demanded 37.5 per cent interest, and so in 1906, according to the system of compound interest, the debt had reached 500 rupees. There were many different types of loan, but they were all essentially granted on a usury basis and fettering terms.

Trade itself was closely linked with money-lending. The middleman as a rule acted as a money-lender, too, advancing the craftsmen money or purchasing the peasants' harvest in advance. The trading and money-lending castes that had taken shape previously expanded their plunderous activities. The Marwaris of Rajputana operated on a particularly large scale. They charged 12-48 per cent annual interest on loans to the peasants. The Marwaris expanded into Gujarat, Maharashtra and so on, acting mostly as village shop-keepers or money-lenders. By granting loans, they were able to buy up the harvest cheaply and, later, to appropriate the land. At the same time, the Marwaris settled in the towns of Maharashtra and Nagpur, where they operated with big capitals. Sometimes this money was used to set up enterprises for the primary processing of agricultural raw materials, but usually for purchasing land. The Marwaris penetrated into Hindustan and seized the land there by means of money-lending operations. At the beginning of the 20th century, many representatives of this caste were among the biggest land-owners in the United Provinces. When they reached Bengal, the Marwaris expanded the commercial and usury exploitation of the peasants. The jute industry was in the hands of the British, but the Marwaris bought up shares and used their capital partly for industrial purposes. At the same time, the Marwaris set up various factories of their own. At the beginning of the First World War, they owned 19 mechanised factories (out of 55) in Calcutta, though they were quite small. The Marwari money-lenders maintained close contacts with one another and in 1898 formed an asso-



ciation. They played a very important part in trade through the port of Calcutta and predominated as trading middlemen in Assam, supplying the tea plantations with goods and binding the craftsmen. In the second half of the 19th century, the Marwaris penetrated through Hyderabad into the territory of Deccan.

The activities of this amazing caste provide a clear idea of the archaic forms of primitive capital accumulation that remained in India even during the period of imperialism. The huge capitals accumulated by the Marwaris were not, however, usually invested in industry, but were spent on land and valuables. This was inevitable under the conditions of the semi-feudal regime and the domination of colonialism, which swallowed up even the local bourgeoisie's capitals. Thus, in Bengal there were rich people, but they confined themselves to purchasing the shares of British companies, to acting as middlemen, and trying for appointments on the staff of foreign firms. The now wealthy merchants of Maharashtra bought land instead of setting up factories. Capital was stagnant, as in other parts of India and China. True, for tax purposes, the Maratha princes (the lords of Baroda, Indore, and Gwalior) at the end of the 19th century promoted the growth of industry and themselves built large-scale enterprises and financed railways. In 1877, for instance, the Prince of Indore built a cotton mill that cost him the large sum of 770,000 rupees. In 1876, he gave a loan to railway companies worth 15 million rupees at an interest rate of 4.5 per cent, for a period of 101 years. The lord of Gwalior also granted 39 million rupees for railway construction (at 4 per cent interest). It seemed as if India was taking the Japanese development path and that the feudal lords would turn bourgeois. "Sacrifices" like those outlined above were, however, only an episode in India's economic affairs. The country's princes preferred feudal incomes, which seemed more reliable.

Even so, national capitalism did develop in India, too, in spite of a whole series of unfavourable conditions. The foundations for this were laid in the preceding period, when the industrial revolution began. In the 1850s and 1860s, Indian capitalists built many cotton mills. The compradores continued to make money later on, too. Existing factories brought in huge profits, which were invested in industry.

In many branches of Indian industry, manufactory production was developing, creating the preconditions for fac-

tory production or even growing into it. Thus, in the United Provinces (the territory of the State of Uttar Pradesh today), the traditional development of glass production led to the emergence of manufactories, and during the First World War large-scale glass factories were built in Firozabad. The factory-owners were the former manufactory-owners, and very skilled craftsmen were used as workers. Small manufactories began to receive glass from factories, and made costume jewellery out of it by hand. In the same way, in the sugar industry of these provinces the first modern-type sugar factories began to emerge on the basis of local manufactories (processing sugar cane into syrup). In 1912, India's first modern sugar factory was set up there, in the Pilibhit district. It was founded by the Prasad brothers, who had made their money through trade and money-lending. A year later, a land-owner set up the second such factory, in the Gorakhpur district. By 1909, there were 339 sugar manufactories (*khand-sari*) in this district.

A direct growth of manufactories into factories was observed only rarely, since the manufactory-owners had little capital at their disposal. Even so, in India, too, factories often relied on the markets supplied by the manufactories, used their raw material base and skilled personnel. Indian capitalism was not a purely "imported" phenomenon, as had become evident by the 1850s and 1860s, when Indian capitalists began building factories in Bombay.

Later, from 1870 to 1914, the capitals of the Bombay compradores penetrated even more into factory industry. A clear idea is given of this by the entrepreneurial activities of the Parsee Jamshetji Tata, who initially worked in military supplies and speculated in cotton. In 1869, he built a cotton mill in Bombay, and then transferred his business to Nagpur, where, in 1877, he set up a new enterprise called the "Empress". Tata immediately assimilated the latest methods of capitalist exploitation, having established an unlimited working day, bonuses for length of service, work without interruptions, and the like. He also created a "joint-stock company" of workers, which issued 10-rupee shares. The forms in which capital was mobilised were very flexible. From 1877 to 1907, the capital of Tata's company increased from 1.5 to 4.7 million rupees, as a result of harsh exploitation of the workers. The average annual profit rate for the first twenty years was 43 per cent, and Tata paid out 20 per cent dividends. At the beginning of the 20th century, he set him-

self the task of building an iron and steel works, and in 1911 it was completed. The British monopolies refused to provide financial help and their agents in India raised all sorts of obstacles even to geological prospecting (in Southern Bihar). Tata's geologists were not allowed to work in the central princedom, but Tata took advantage of the struggle between the international monopolies to gain technical assistance from the USA. The works proved very profitable and, from 1912 to 1916, net profits reached 23.5 million rupees, topping share capital (23.1 million).

Apart from Tata, many other manufacturers emerged from among the Gujarat bourgeoisie and especially the Bombay compradores. The Bombay manufacturer Morarjee Gokuldas built factories even deep within the country. In 1874, eleven new factories were opened in Bombay itself. Later, the rate of construction fell off, with only two factories being built over the next eight years. In 1883, Bombay's cotton industry was supplemented by 13 mills, 8 of which belonged to Indian capitalists. They included Dinshaw M. Petit, N. B. Jeejeebhoy, and other merchants from Bombay. The Parsee Kaikhusro Heeramanek, a silk merchant, built three factories from 1883 to 1888; in 1888 the spinning mill built by F. E. Currimbhoy (who traded in opium, cotton and yarn as far as Japan) started operating.

In all, from 1881 to 1900, 57 factories were built in Bombay, 39 of them, moreover, by Indian capitalists, who often obtained credit from the Marwari money-lenders. From 1871 to 1915, 86 cotton mills grew up there, of which 61 belonged to the bourgeoisie. Bombay's industry was 75 per cent set up by local capitalists, primarily compradores. In 1908, the capitals of just the joint-stock companies in Bombay were worth 186.5 million rupees, with industrial enterprises accounting for about 117 million of this.

True, Indian capitalists had to set up their national industry under difficult conditions. The colonial dictatorship worked against them. In 1894, for instance, an excise tax was established on Indian-made cotton goods. The 1893 monetary reform, making the rupee dependent on the pound sterling, weakened the positions of Indian importers of cotton fabrics. Indian manufacturers purchased machinery in Britain and paid high wages to foreign experts. The famine and plague at the end of the 19th century, followed by the depression, undermined many enterprises. From 1895 to 1915, 44 companies went bankrupt: they owned 58 fac-

tories, or about two-thirds of all Bombay's cotton industry.

Moreover, Indian enterprises were supervised by the so-called Managing Agencies, which became genuine parasitical growths. They emerged at the time of the East India Company, during the evolution of the Agency Houses, and went over increasingly from foreign trade operations to domestic trade and the financing of industrial enterprises. This was furthered by the 1882 Act on Indian Joint-Stock Companies. Such agencies grew up in Bengal (for jute), Bihar (coal), Assam (tea), and then in Bombay and Ahmedabad. In the second half of the 19th century, the agencies covered urban transport and almost all branches of industry, holding a monopoly of the placement of shares, the delivery of equipment, and even commercial ties. A commission of 5 per cent was charged on all forms of brokerage. Founder's (promotional) profits went almost in their entirety to the agencies. They often dictated to the managements, too.

The development of Indian capitalism and the formation of a national bourgeoisie told very clearly on the history of the banks belonging to Indian capitalists. The first bank of this sort was established back in 1770, and was called the Bank of Hindustan. It was set up in Calcutta and lasted for quite a long time (until 1832). In 1785, the Bengal Bank and the General Bank of India emerged, but went bankrupt in 6 years. From 1833 to 1860, 12 Indian banks were set up, but half of them closed down. The operations of the others were very limited. In 1860, the colonial authorities copied the British laws and sanctioned the principle of limited liability of joint-stock companies, but this act did not then lead to the development of joint-stock banks, since India's capitalist development was proceeding only slowly. At the time of the cotton fever in the early 1860s, some Indian banks went bankrupt and even later on new ones were set up very rarely. The Allahabad Bank did, it is true, appear in 1865, the Alliance Bank of Simla in 1874, and the People's Bank of Punjab in 1891.

From 1906 to 1908, however, an intensive growth of national banks began in India. In particular, such large-scale credit establishments appeared as the Indian Bank (1906), the State or Central Bank of India (1911), and the Bank of Mysore (1913). Bank capital, especially deposits, started growing very rapidly. Over a period of only 7-8 years, they more than doubled. A general picture of the develop-



ment of the banking system of Indian capitalism is provided by the following figures. From 1870 to 1905, the number of major national banks in India increased from 2 to 9, their paid-up capital and reserves from 1.2 million to 16.2 million rupees, and their deposits from 1.4 to 119.9 million. These figures seem rather modest. The banking system of Indian capitalism was very late in developing. Its operations assumed a broad scope only at the end of the 19th century. This also reflected the domination of colonialism, which doomed the country to economic backwardness.

8. *The economic position of the workers.* In India, as in China, Japan and Russia, there was a big gap between the scale of the expropriation of the masses, and the growth rate of capitalism and the formation of the working class. An agrarian overpopulation became a fact, and this had a detrimental effect on the condition of millions of people, including factory workers. This overpopulation became a sort of economic reserve for colonialism. It was used extensively by foreign capitalists to fetter the workers. The colonial regime was brought into the factory, and loans on shackling terms, miserly wages, the long working day, difficult working conditions, and despotism on the part of the owners were characteristic of Indian industry, too. British capitalists threw off their guises on the colonial outskirts and forgot that they were the embodiment of the "free world", as the corrupt agents of the bourgeoisie call capitalism nowadays. Capitalism appeared in its primitive nakedness, its harsh laws were shown up and wage slavery proved to be merely a variety of ordinary slavery, which the Indians had known for millennia. The rate of profit was very high, and this was the only thing that interested the British capitalists. For the sake of profit, they were prepared to turn India into a desert; they were untouched even by the death of their workers, who could be replaced by crowds of people ready to do any job for a cup of rice, just to stay alive. It is considered that the landless proletariat made up from a third to a half of rural population.

The manufacturers made broad use of the colonial dictatorship to reduce people to the status of draft cattle. Any resistance was declared illegal and harshly suppressed. The workers were thrown out into the streets, which was the worst possible punishment for them. The caste system made it difficult for even factory workers to organise themselves, and certain specific features of the formation of the working

class exerted an impact. In India, as in China and Japan, the separation of the workers from the land, and especially from the village, proved a very painful and protracted process. Even if they lost their land, they still considered themselves to be inhabitants of their home villages. That is where their relatives remained, and they often made trips home, sometimes to help with the farming. The skilled factory worker often worked long years in the factory, but left his family in the village, to which he returned to die once his usefulness was exhausted. Clan and communal traditions predominated over the workers and drew them to the village. Exploitation of people from the villages, especially young people, assumed a broad scale. The formation of a hereditary proletariat advanced substantially only in Bombay. In the other centres of Indian industry, and especially on the plantations, the workers maintained their links with their villages. The Indian worker simply could not believe in the durability of capitalism and considered his condition of bondage to be only temporary. Sometimes the workers were taken to remote enterprises by manpower suppliers. For instance, from 1885 onwards, many of the workers in Calcutta's jute factories came from the North-West provinces and Orissa. Agricultural workers also came from far away to the tea plantations of Assam. This helped the capitalists to step up their exploitation and allowed them to provide even worse working conditions. The enlisted workers were in the position of true slaves.

The night was the only time these exhausted people were allowed any respite from their hard labours, for the working day lasted from sunrise to sunset. Technological progress even changed this situation for the worse: from the end of the 19th century electric lighting in the factories meant that the working day could be lengthened. Under capitalism, technical progress was used against the workers, and forced factory labour became an even heavier burden.

The formation of the working class did, however, gain momentum during the period of imperialism. From 1900 to 1914, the number of factories in India rose to 2,874, with the workforce increasing from 468,956 to 950,973. Thus, over a period of 14 years, the number of workers had more than doubled. These figures apply only to factories covered by factory legislation. There were, however, many small enterprises that were not. In 1911, there were 4.4 million people working in the textile industry, 3.7 million in the clothing

industry, 2.4 million in the food industry, 1.7 million in wood-working, 1.1 million in tile-making, and a total of 13.2 million in all these industries put together. It should, however, be stressed that the formation of the working class did not lead to any increase in the share of the industrial population.

In 1911, only 11.2 per cent of the population of India was connected with industry and, in 1921, the figure was even lower (10.5 per cent). This was because the craftsmen went broke and often became agricultural labourers or even tenant farmers on fettering terms.

From 1880 to 1909, nominal wages rose, since the rupee was depreciating and prices going up, but real wages dropped, as Jürgen Kuczynski's calculations show. From 1880 to 1889, they were 29 per cent higher than from 1910 to 1919. There was even a drop in the miserly wages received by Indian workers. One reason was the extensive exploitation of children, adolescents and, above all, people who had left the villages. As a result, the manufacturers could utilise manpower rapaciously without having to cover the costs of "reproduction by birth". Wages were meant simply to keep the worker working, and did not suffice even for this. If workers died, jobbers brought in new groups of village adolescents and often even children. The jobbers themselves took bribes from the workers and kept them in bondage.

It has been established that the prisoners in Bombay gaol were better fed than the textile workers, who ate only 585.14 g of bread, 40.82 g of vegetables, 13.61 g of meat, 18.14 g of salt, 9.07 g of vegetable oil, and 31.75 g of other foodstuffs, totalling 698.54 g. Meanwhile, the prisoner received a total of 766.58 g of food for light labour and 845.23 for hard. The prisoner weighed, therefore, on average 4.55 kg more than the textile worker (46.34 kg). The workers' housing conditions were appalling. As a rule, their houses had no windows, let alone water and sewerage pipes. Two or three families lived in one room, plus people who rented corners. The total was 10-20 people. The workers died from tuberculosis and very many suffered from malaria. During famines, plague, cholera and dysentery swept through the workers' districts.

In the period from 1870 to 1917, India's factory legislation was practically non-existent, as the colonial administration did not permit any such legislation to be passed. Only the

threat of popular uprisings forced the British satraps take certain measures. In 1881, a law was sanctioned according to which the hire of children under the age of seven was prohibited, and the working day for children was set at 9 hours for 7 to 12 year-olds. This act of "bourgeois wisdom" itself well characterises the harsh laws of British capitalism. The exploitation of children for 9 hours a day, and from the early age of seven, was considered the norm. The law contained no sanitary instructions and the restrictions were applied only to large-scale enterprises with over a hundred workers. Tea, coffee and other plantations were relieved from any restrictions. Later, in 1891, a new act was passed, but it did little to change matters. It prohibited the hiring of children under the age of 9, was applied to enterprises with 50 or more workers, made free Sundays obligatory, and set a 7-hour working day for children between the ages of 9 and 14. Moreover, the working day for women was set at 11 hours and night work for them was prohibited. The new law contained certain provisions of a sanitary nature and a factory inspectorate was set up. It did not, however, apply to factories doing seasonal work of less than four-months duration (rice-polishing plants, flour mills, ginneries, and so on). There were no restrictions at all on labour exploitation in the coal industry, while the Bengali mines had many female workers. The working day was not regulated in the textile industry either, though it was 12.5 hours long in Bombay and only five days off were allowed a year. Wages were handed out only once a month and this made matters very difficult for the workers. Many fell into debt. True, in the factories of Calcutta wages were paid weekly.

Later studies (1908) showed that the 1891 law was ignored by the factory owners. The high demand for yarn and the use of electric lighting meant a lengthening of the working day. In 1905, work is known to have continued from 5 o'clock in the morning to 9 o'clock at night. A 14.5-hour working day was typical. Children worked the same hours as adults everywhere (in the United Provinces, southern Madras and the Punjab). In the ginneries of Gujarat, the working day was 15 to 18 hours long. In the jute factories of Calcutta, weavers often worked 15 hours a day. At the age of 40-45, the Bombay weaver was already disabled and returned to the village.

The class contradictions of Indian capitalism became, therefore, extremely acute, though the degree of organisation



of the workers remained very low. Even so, in 1877, Nagapur saw India's first ever strike, at one of Tata's factories. Later, from 1882 to 1890, there were more strikes. Over these years, about 25 strikes took place, with a large number of workers participating.

From 1884, the trade union movement took shape in India. Under the leadership of N. M. Lokhande, the first conference of Bombay factory workers was held that year. In 1890, they formed a trade union and even began publishing the journal *Friend of the Poor*. Only some of the workers' economic demands were at issue, it is true. The trade unions that did emerge remained local organisations and often broke up. At the same time, they fell under the influence of bourgeois philanthropists, who tried to paralyse the revolutionary energy of the proletarian masses.

9. *Agrarian contradictions.* In spite of a certain development of industry, even in the period of imperialism India remained an agrarian country. As already noted above, the share of the population engaged in industry was very small, so the fate of the Indian economy was determined by the state of agriculture. Its development was hampered, however, not only by colonialism, but also by feudalism. The Indian countryside remained semi-feudal and the agricultural policy pursued by the British satraps came down to conserving the survivals of feudalism. The imperialists sought support among the feudal nobility, who became their political reserve.

In India's agriculture in the period under consideration shifts of a progressive nature were, of course, observed. In particular, there was a step up in the construction of irrigation systems, since the colonial administration itself was interested in increasing the output of raw materials. Moreover, famines assumed such proportions that they threatened to incite people to rebellion. Certain measures had to be taken, and even the colonial viceroys turned their attention to irrigation. There was no virtue in this, however; it was merely a matter of fulfilling elementary duties that even the former despots of the Orient had not forgotten.

Even the East India Company repaired some canals (in the Jamna basin) and built new ones (in the basin of the Ganges). After the company's liquidation, irrigation work was extended. From 1860 to 1880, a canal was built in the region of the lower reaches of the Ganges, another in Agra, and yet another in the Punjab, a dam in Deccan and so on. By 1900, £ 25 million had been spent on irrigation systems,

and from 1903 onwards construction took on a new spurt. The irrigated area increased substantially. In 1880 it stood at 29 million acres, in 1903—44 million, and in 1913-1914—at 46.8 million acres. The area of alluvial soils was 25 per cent irrigated, of crystalline—15.5 per cent, and that of the mountain rocks of Deccan—3.2 per cent. A major role was played in irrigation work by private companies, but state measures were of decisive importance. Over the last quarter of the 19th century, out of 11 million acres of newly irrigated land, private companies were responsible for only 3 million.

True, the expansion of the irrigation system in many cases resulted in bogging up and salination of the soil, the spread of malaria and so on. The economic effect of irrigation was, however, significant. Agricultural methods became more intensive, in Deccan the cultivation of sugar cane began to expand, and in the Punjab, the production of wheat. Harvests became larger and more reliable.

Moreover, India's agriculture became more specialised and more industrial crops were grown. From 1880 to 1895, the prices of raw materials rose and exports increased. The incomes of land-owners went up. In Berar the cultivation of cotton expanded, in Bengal that of jute, in Deccan, that of sugar cane, and so on. There was a certain improvement in agricultural methods, too. Seed farms grew up to supply cotton growers with quality seed. At the beginning of the 20th century, the area sown to cotton continued to expand. From 1894 to 1914, it increased from 9.7 to 15.8 million acres. The area under tea increased considerably over these years (from 414,000 acres to 572,000).

Also worthy of note was the emergence of credit co-operatives, which began to be set up after the 1904 act was passed, though the act limited their functions (to the crediting of only members of the co-operative). In 1912, this restriction was lifted. The growth of co-operatives intensified and, in 1913-1914, there were already 14,881 of them, with 695,998 members, and they were usually engaged in credit operations.

All these shifts did nothing, however, to change the general situation in Indian agriculture. The country's agricultural achievements were very modest. The peasants had no access to machinery. Even draft cattle were in short supply, and the land was worked, in the main, by antiquated methods. The yield was extremely low. Artificial fertilisers were hard-

ly used at all, and there could be no question of improving cattle breeds. The development of capitalism came down to the setting up of tea and coffee plantations belonging to foreigners. This increased India's economic dependence on foreign capital; the expansion of industrial crop sowings had a similar outcome. More raw materials were taken out of the country, which increasingly became an agrarian appendage of capitalist Britain. Even the construction of irrigation systems was unable to solve India's agricultural problems. Although the yield on irrigated land was higher, the poverty suffered by the Indian peasantry remained unchanged. Land rentals went up and the expanding irrigation only made the land-owners richer.

Large-scale land-ownership was an obstacle to the progressive development of the productive forces in agriculture. In India, it was semi-feudal in character and engendered rent bondage (especially in Bengal). The Indian land-owners, like their Chinese counterparts, owned the land, but did not set up large-scale farms or improve farming methods. They were satisfied with collecting land rent, which grew steadily. Rent bondage gave rise to a parasitic growth on the Indian village, which sucked the vital juices from the peasant holdings. The latter could not, of course, develop in such conditions. True, in the South of India, the peasants were considered to be the owners of their plots of land, but in the North a mixed system took root (large-scale land-ownership and peasant holdings). Colonialism engendered, however, an extraordinary strengthening of the tax burden, and the peasants were robbed by the tax-collectors. Moreover, a substantial part of the harvest was appropriated by the ubiquitous money-lenders. Raw-material merchants acquired the peasants' output at ridiculously low prices. Almost everywhere, the Indian peasantry was land-starved. Harvests were unreliable, as a result of droughts and floods. The primitive farming methods, and the shortage of draft animals and fertilisers prevented the peasants from waging a struggle for stable, high harvests.

India suffered from terrible famines, which, in a way, summed up the domination of the British imperialists over this enormous country. The famine of 1876-1878 was particularly serious, but the worst were those at the end of the century (1896-1897 and 1899-1900), which covered almost the entire country. They were accompanied by the death of a tremendous number of people. Terrible epidemics of plague, dysen-

tery, and cholera broke out. It has been established on the basis of official statistics that over the last quarter of the 19th century 26 million people died from hunger in India. From 1895 to 1900, large numbers of cattle also died (in Gujarat, for instance).

The famines of the 1890s had serious consequences. A sort of degradation of agriculture set in, this being manifested in a drop in the share of industrial crops and even of the area under them. Sowings of food grains began to expand, however.

From 1894 to 1914, the area under indigo dropped from 1,705,000 acres to 169,000, that under sugar cane from 2,889,000 to 2,708,000, that under oil-bearing crops expanded, but only slightly (from 13.9 million acres to 14.6 million). Meanwhile, the area sown to food grains increased from 181.5 million acres to 191.5 million, the biggest increase being in rice fields (from 69.2 million acres to 76.9 million). Overall, the value of agricultural output increased, to reach 2.6 billion rupees in 1870, 3.5 billion in 1882, 4 billion in 1900 and 8.7 billion in 1911. Under the impact of famines, however, its structure deteriorated.

It cannot be denied that the British satraps understood the danger of the situation. They were scared by the peasant rebellion of 1857-1859, the echoes of which were still heard much later. In 1875, for instance, there was a peasant uprising during which money-lenders were beaten up. In 1879, there was another. In 1881 and 1882, the Bihar peasants rose up. In 1907, on the territory of Eastern Bengal, the peasants attacked the land-owners and money-lenders. In the Punjab, a major uprising broke out at the same time as a result of the exorbitant prices charged for water.

The colonial administration took, therefore, preventive measures in order to avert a general explosion. In the Punjab, for instance (after it had been annexed), peasant land-ownership was partially installed. Several laws were passed, all of them being advertised as reliably defending the peasants against intrigues on the part of the money-lenders. The idea was to halt the appropriation of land by people not engaged in farming. The Punjab Act stipulated that the creditor could not appropriate the land in lieu of unpaid debts unless he was a farmer himself. At the same time, land could not be mortgaged for a period of more than 18 years. These laws, however, led to an even greater development of usury, since interest rates even went up. Over the next twenty



years, the number of money-lenders in the Punjab doubled. Measures were taken to implant credit co-operatives but, as a result, the number of members per co-operative dropped from 105 in 1906 to 50 in 1911.

The partial concessions to the tenant farmers and even the implantation of peasant land-ownership in individual regions, could not, of course, solve colonial India's agrarian problems, for the country was crushed under the heel of British imperialism. Even so, semi-feudal land-ownership remained, as did rent bondage, and the peasants continued to die from hunger. The main trend in the British satraps' colonial policy was an orientation on a union with the feudal nobility, and this led to the conservation of feudalism. From 1872 to 1901, the number of people living on land rent increased 6-fold.

Only a radical revolution, overthrowing both feudalism and colonialism at the same time, could eliminate India's agrarian contradictions. The preconditions for such a revolution of a peasant type were gradually maturing. In India, as in China, a working class took shape and the peasant masses would, in time, receive leadership from the proletariat.

10. *The national liberation struggle.* The struggle against colonialism, which was a sort of scab on India's healthy organism, never let up from 1870 to 1917. True, this struggle acquired different forms and, from 1872 to 1882, it was manifested in a whole series of peasant uprisings (in the Punjab, Maharashtra, Bihar and Rajputan). At the time of the 1879 uprising in Maharashtra, its leaders put forward the demand for an expansion of social works, encouragement of national industry and commerce, a cut in taxes, and a reduction in the salaries of British officials. The peasants' struggle against feudalism and usury grew into a struggle against colonialism. It is not surprising that the British satraps were so vigorous in putting down these uprisings.

At the same time, in the 1870s, bourgeois nationalism started to develop, represented by the Indian bourgeoisie and the bourgeois intelligentsia. The Bombay manufacturers and the Maratha intelligentsia came out in defence of India's national interests. An Indian school of national economists was set up by Govind Ranade and Dadabhai Naoroji. It showed up how Britain had robbed India. True, this school was oriented on gradual reforms and rejected the peasants' social demands, while defending the land-owners and princes,

This greatly weakened the positions of bourgeois nationalism.

In Bengal, the bourgeois nationalists set up the Indian Association and the British Indian Association. The leader of the Bengal nationalists was the land-owner Bonnerjee. Later, in 1885 (in Bombay), a founding congress was set up of the Indian National Congress, whose leaders gave Britain its due for alleged great services, but still put forward the slogan of self-government for India, national equality, recognition of the independence of Upper Burma, a reduction in military outlays, and the introduction of protectionist customs duties. Workers and peasants were not represented at the Congress, while the bourgeoisie was weak, dependent on and subservient to the British imperialists. Right up to 1905, the National Congress played no major role, but merely put forward partial demands.

In the 1890s, however, a new wave of popular uprisings swept through India. In 1891, for instance, there was one in Manipur. At the same time, petty-bourgeois nationalists, who were more radical, appeared. In Maharashtra, Bombay and Bengal, this trend became particularly popular. Its leader was Balgangadhar Tilak, who was of land-owning stock and came out under the banner of Hinduism. However, he also feared peasant uprisings and did not try to tie up the struggle against colonialism with that against feudalism.

The division of Bengal aroused wide protest in India. The Russian revolution of 1905 also exerted a strong influence on the broad population. From 1905 to 1908, there was a revolutionary upsurge in India. In his article "The Awakening of Asia", Lenin noted this as an outstanding event.<sup>4</sup> The protest against the division of Bengal developed into a boycott of British goods. The slogans of the national liberation movement were Swaraj "Home-government" and Swadeshi "Home-production". Tilak's supporters (so-called Extremists) interpreted this as the slogan of a federative republic, the declaration of democratic liberties, and encouragement of industry, but they ignored the agrarian question. The British answer was repression but, in 1906, the movement gained even greater scope. The National Congress included in its programme the "Home-government" slogan in the sense of a dominion. Meanwhile, the popular masses went

<sup>4</sup> See: V. I. Lenin, "The Awakening of Asia", *Collected Works*, Vol. 19, p. 85.

further and, in 1907, a major peasant rebellion broke out on the territory of Eastern Bengal. Land-owners and money-lenders were beaten up. There was a similar one in the Punjab. Railway workers in Bengal went on strike. In this tense situation, the National Congress split with the moderate leaders going over to the side of the British and demanding an end to the boycott of British goods. A new party emerged, consisting of the supporters of Tilak, but his arrest disrupted its ranks. His conviction in the summer of 1908 aroused, however, a proletarian protest demonstration in Bombay, with petty-bourgeois elements taking part. Moreover, from June 23 to 29, there was a general political strike there, in which 40,000 workers took part; it was supported by workers in Nagpur. The British satraps replied with repressive measures, but they could not halt the mighty movement of the Indian proletariat, demanding Tilak's release.

This event was a totally new phenomenon in India's centuries' old history. Lenin condemned the British satraps who played at liberalism (such as Lord John Morley), as genuine Genghis Khans, and stressed that "there is no end to the acts of violence and plunder which goes under the name of the British system of government in India". Welcoming the Bombay workers' actions, Lenin wrote that "in India, too, the proletariat has already developed to conscious political mass struggle", and this meant that the collapse of British colonialism was inevitable, that the "British regime in India is doomed".<sup>5</sup>

Victory did not come for a long time, however. The Indian bourgeoisie sought a compromise with the British imperialists, the peasant masses were not united, and the proletariat was still little organised and ideologically immature. The first blow to colonialism, including British, was dealt by the Great October Socialist Revolution.

11. *The specifics of India's economic development in the age of imperialism.* In conclusion, let us note certain specifics of India's economic development during the period under consideration.

1. Its development differed sharply from that of the economies of Britain, France, Germany, the USA and even Japan. These countries robbed colonies and multiplied their economic resources, while India itself suffered from colonialism,

being the chief colony of the British (and international) imperialism.

2. Even China suffered less from colonialism than India did. The colonialists also controlled the tax system, so the exploitation of India was multifaceted (feudal, commercial, financial, fiscal and industrial).

3. As a result, the productive forces developed very slowly, the industrial revolution remained incomplete (as in China) and it was primarily light industry that grew. The positions of colonial capital were very weak, and there could be no question of exporting it. The home market was expanding only gradually, the export of fabrics became inevitable, though this may seem paradoxical.

4. Agriculture in India, as in China, also suffered from the survivals of feudalism, the monopoly of large-scale land-ownership, huge rentals, and communal traditions. All this slowed down the development of the productive forces in the countryside. Rent bondage was the chief obstacle to the development and capitalist evolution of peasant holdings. Commercial farming developed, but only slowly, into agrarian capitalism. In this respect, the Indian countryside was similar to the Japanese.

5. India, like China, was on the boil. Class contradictions became extremely acute. At the same time, the national liberation movement expanded. The popular masses rose to struggle against the British imperialists.

<sup>5</sup> V. I. Lenin, "Inflammable Material in World Politics", *Collected Works*, Vol. 15, 1982, pp. 183-84.